The MAGAZINE of WALL STREET

and BUSINESS ANALYST

SEPTEMBER 17, 1955 85 CENTS

1955

Mid-Year Dividend Forecast

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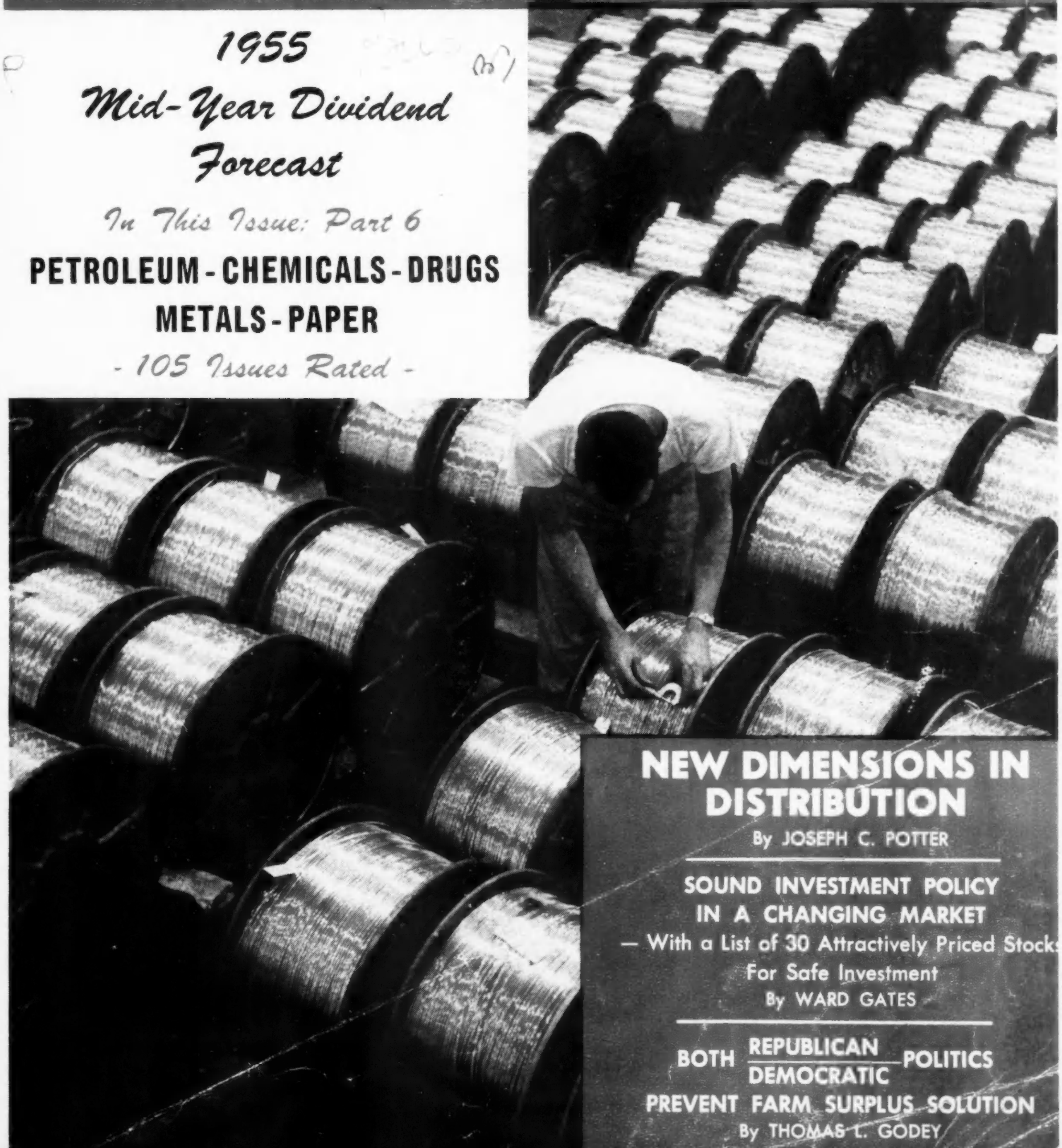

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THE MAGAZINE OF WALL STREET
and BUSINESS ANALYST

Member of Audit Bureaus of Circulations

Vol. 96, No. 13 — Sept. 17, 1955

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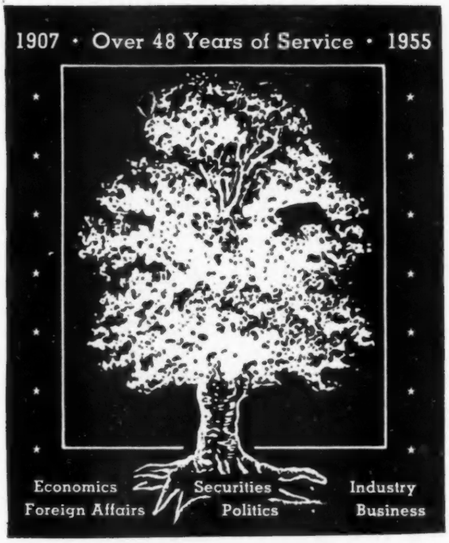
THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher* E. D. KING, *Managing Editor*



The Trend of Events

LABOR IN POLITICS . . . Gearge Meany, head of the A. F. of L., has frankly proclaimed one of the major goals of the announced merger between his organization and the CIO, which will be formalized next December. He states that it is his intention and, presumably, that of the other labor chieftains, to place the new giant labor union, with 15 million members, directly in the middle of the national political arena. This represents a radical and dangerous departure from the early precepts of Samuel Gompers, the founder of the A. F. of L., whose philosophy which until very recent times, the A. F. of L. leadership solemnly embraced.

The central principle of this philosophy was that the labor movement in the United States must remain divorced from direct political affiliation and thus avoid the fatal errors of the trade union movement in Europe which, to its cost, has repeatedly found itself hopelessly enmeshed with the politics of the socialist parties and, even, the communist party.

It is difficult to avoid the conclusion that if the labor unions in the United States become much more active in the political life of the nation as a result of the coming consolidation of both big unions, elections of legislators, on a national, state or local level, will be largely influenced by class considerations, rather than by merits of the contestants. This is decisive and would eventually destroy the unity of our people. No matter how skillfully the union leaders may rationalize this important innovation in the general attitude and conduct of their unions, with respect to political affairs, the public at large will in due time find that this has brought a new and unreliable pattern to their national life. Under such circumstances, they are likely to question the motives and good faith of the trade union movement itself, particularly since they would feel that the individual union members had more or less lost their freedom of independnt political choice and that they were merely voting at the command of their leaders. This has happened, in similar circumstances, time and time again in Europe. There is no reason to believe that it would not happen here. Nothing, in the long run, would be more certain to destroy the confidence of the American people, as a whole, in the unions. While there is still time, the important union leaders should reconsider their plan and abandon it. In that way, they will best serve the interests of their people and the nation. The other road leads to disaster.

AFTER LABOR DAY—WHAT? . . . We are now entering the traditional period of heightened economic activity which is ushered in with the advent of Labor Day. Naturally, businessmen and investors are busily engaged in trying to peer into the future and determine from their own particular crystal ball, whether business will keep moving ahead or slip back. The stakes are greater than ever for new records are being made in business and, as a result, the country has become accustomed to a degree of prosperity the like of which has never before been

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELLORS : : 1907—*"Over Forty-seven Years of Service"*—1955

known in peacetime, here or in any other country. Obviously, unexpected reversal in the impressive forward motion of business would be more than ordinarily disappointing. Yet, just because our total business volume has attained unprecedently high levels, some are inclined to be doubtful that such a pace can be maintained for very much longer.

There are several factors that could determine the outcome and that should be considered. One is that the momentum of business continues very strong, so strong, in fact, that the usual lull in business during summer has virtually failed to materialize this year. This is largely due to the fact that the public which is enjoying the largest income on record is in an acute spending mood which has shown no sign whatever of diminishing. If this trend continues, we could expect to see all major economic records broken in the final period of the year. However, the fly in the ointment is the credit situation. Thus far, the general forward momentum in business has been too powerful for the new credit controls now in operation to take general effect. Probably, it would take a really severe and sudden squeeze in credit to bring about a reversal in the business trend. This would tend to support the view now generally held that present credit restricting will have only a mild over-all influence in business conditions for the time being. However, the possibility that this extraordinary situation may result in developing excessive public confidence is a factor that should not be overlooked. This imponderable remains the greatest hazard confronting business.

INVESTMENT PSYCHOLOGY . . . Experienced investment observers agree that emotion plays a far greater role in the decisions of investors, with respect to making purchases and sales of securities, than is generally realized. The role is invariably magnified after prolonged movements in the stock market, whether on the up or down side. Thus, optimism feeds on itself in the latter stages of bull markets as investors, dazzled by their accumulating profits, tend to throw caution to the winds and unwisely add to their commitments in the search for even bigger profits. At the end of prolonged bear markets, too, investors who have been rent by mounting fears, are likely to lose all sense of proportion and in panic unnecessarily throw overboard their securities to save what can be saved.

Most investors have shared these common and human experiences, and, probably, human nature being what it is, they will go on doing so. However, in the hope that this little homily may do some good, after all, we have again said what we have said many times before.

THE RAILROAD DILEMMA . . . All industries undergo trials, but it would be difficult to cite a more vexing problem than the passenger segment of railroad operation. Under the best possible conditions, this part of railroading has piled up staggering deficits. Last year, as an example, the carriers lost nigh on to $700 million in passenger operations. This compares with the record deficit of $705 million in 1953 and losses of $642 million in 1952, $681 million in 1951 and $509 million in 1950.

This phase of the railway business has been plagued by rising costs, the need to raise fares that always brings a decline in patronage, the competition of cars and buses on subsidized highways and the swifter airlines, which also enjoy subsidies. Indeed, the president of one of America's top railroads has confided that cross-country passenger business must be ceded to the airlines, although he holds out hope for overnight trips by railroad if the carriers are far-sighted enough to install new lightweight passenger trains. Many roads already have placed orders for such trains, but this is only part of the story of a new vigor in this essential industry, which is determined to bring the public back to the railroads.

Electronic railway yeards, adjusting trackage to present-day needs, dieselization that cuts down on fueling stops, automatic ticket dispensers and lower rates for family travel are some of the innovations designed to cut costs, keep fares down and increase the traffic. Yet, not all of these projects, however laudable, have worked out.

A way must be found to make passenger operations less costly. Hundreds of train runs already have been abandoned and hundreds more would be dropped, but for myriad state rules and regulatory bodies that must approve such discontinuations. Nor is an answer to be found in the solution offered by I.C.C. Chairman Richard R. Mitchell, who proposes that the Government subsidize railway passenger service. On the contrary, the need is for less subsidization of transportation, a condition that has put railway passage in its present plight and constantly penalizes their efforts to compete. But, above all, the railroads must step up their modernization program. The asthmatic relics that still abound simply will not do in the streamline age.

A BIG STEP FORWARD . . . Establishment of the largest college scholarship program in our history by the Ford Foundation and important elements from business and industry is news of major economic significance. Initial grants will total well over $20 million, a not inconsiderable sum in itself, but they uquestionably will be dwarfed in years to come as Americans come to realize the necessity of enlarging our educational facilities on a scale commensurate with the rapidly growing requirements of an immensely dynamic nation.

The most direct dividend which the nation will receive from this monumental project will be to add many thousands of young new scientists to the present roster. This is obviously vital to the welfare of our nation. As a matter of fact, we have unpardonably been falling behind fulfilling even normal requirements with respect to this sector. Authorities have made it plain that we are turning out far fewer scientists and technicians than Soviet Russia. This could be a fatal defect in the period ahead, which undoubtedly will witness an intensification of economic rivalry between the communist and free enterprise systems. In such a race, with scientific achievement of the utmost importance in a new revolutionary age, triumph can well be won by that system of government which has developed the largest number of trained scientists and technicians.

As I See It!

By V. L. HOROTH

SWEDEN'S ECONOMIC STRENGTH SAPPED BY SOCIALISM

Sweden and other Scandinavian countries as well give an outward impression that socialism and welfare ideas have worked out successfully. They are all well-ordered, clean, prosperous countries. One sees no slums and the people are almost invariably well dressed and fed.

In Sweden, the Social Democrats — at times alone and at times in cooperation with the Agrarians — have now had almost a full quarter-century to create a socialist state. Outwardly at least, they seem to have succeeded. Sweden is today perhaps the most egalitarian country in Free Europe. There is no extreme poverty. The super-welfare state has taken care of that. Nowadays no one needs to worry too much in Sweden over how he or she will make out in the future. There is extremely liberal disability and unemployment insurance. Considering European living standards, the old age insurance payments also are very satisfactory. There are child allowances and special housing allowances for which a considerable portion of the city population is now eligible. And there is compulsory medical insurance that makes the physician a state employee.

But there is another side to all this. For there are no very wealthy people in Sweden either — at least not by American standards. Whatever wealth there was, has been gradually taxed away during the 25 years of Socialist rule to pay for the super-welfare state and to finance innumerable schemes hatched by the Stockholm bureaucrats. These schemes include rent and housing subsidies and a complicated farm support program.

Personal and corporate taxes in Sweden were among the highest in the world even before they were raised another notch last Spring. The occasion for the latest increase was the modification of the Government's soft money policy, which had been contributing to the forces of inflation. With credit more expensive, more money was needed for housing and rent subsidies and the businessman had to provide it. Including the so-called investment tax and local taxes, corporate taxes now siphon off up to 65 per cent of earnings. Since plant write-off regulations are strict, few Swedish businessmen are in a mood to expand or modernize their plants under the circumstances. Moreover, the wage demands of the unions — which, of course, have the blessing of the Socialist Government — are adding to production costs at a time when Swedish products have to face increased competition from such dynamic, free economy countries as Germany. High taxes and the relative security that the welfare state offers are, in fact, a damper on private initiative of any kind.

THE SYSTEM DOESN'T SEEM TO WORK

With apologies to Dowling in N. Y. Herald Tribune

Sweden may still be one of the most outwardly prosperous countries in Europe, judged by the more obvious standards. But what the casual traveler fails to see behind the facade of prosperity and of socialist egalitarianism is that Sweden is persistently losing the advantages that she gained as a neutral in two world wars. She has failed to retain the share of international business that she commanded in the earlier postwar years. Although the Swedish Socialists are perhaps more amenable than the average and less doctrinaire they are nevertheless bringing on a long-run economic stagnation.

In sum, Sweden's prosperity under the Socialists is not healthy. It is based on dividing the national cake differently rather than on enlarging this cake. Although the exploitable natural wealth of the country is large, the economy is saddled with so many benefit schemes that Socialist Sweden tends to live beyond its means. How long the country's resources will permit it to do so is difficult to say, but it is quite apparent that Socialist policies and the Socialist bureaucracy are not succeeding but leading Sweden down a blind alley.

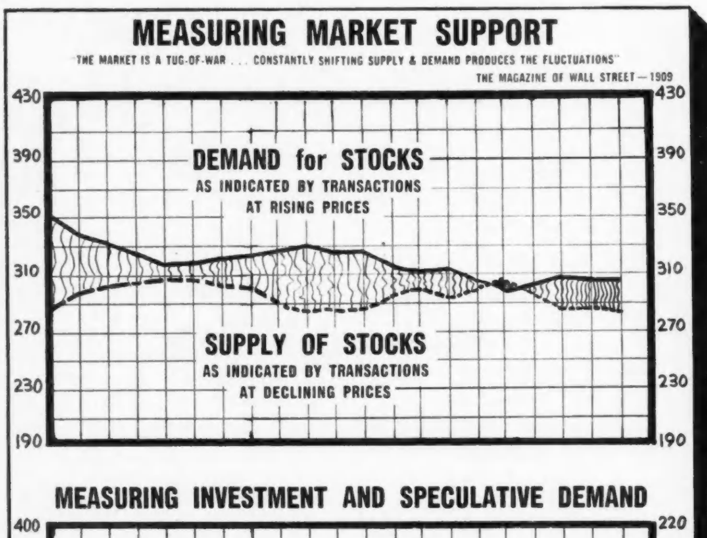
Individual Issues vs General Market

The market is performing well and may rise further. But good values are increasingly scarce, risk on the buying side considerable. Your policy should be conservative and highly selective. Most speculative buyers at the present level necessarily accept increasing risks. If you have large profits, take some and shift funds so freed to defensive securities which are still available at reasonable prices.

By A. T. MILLER

Two recent market uncertainties have been cleared up: (1) the July high was not a bull-market top for the industrial list ;and (2) the July 28-August 9 sell-off of 19.61 points by the Dow industrial average (only about 4%) was just another reaction. There is, of course, a new uncertainty: Is the bull market now in process of important extension or a limited, and perhaps relatively small, extension? Only time can provide undebatable answers to these questions. But there is this to be said: Taking into account the advanced price level, restrictive money-rate factors and uncertainty as to whether the monetary authorities will stand pat on present credit policy, push it further or relax it a bit, this is not a time at which unrestrained bullish optimism can be justified. Sensible conservatism and careful selectivity in portfolio management remain in order, under present conditions.

Over the past fortnight, while performance of individual stocks remained highly mixed, the Dow industrial average completed recovery of all ground given up to the August 9 reaction low and moved into new high ground. The week's best closing level of 476.24 bettered the July high of 7.79 points. That is a definite "penetration" even though a net bull-trend extension of less than 1.7% to date.



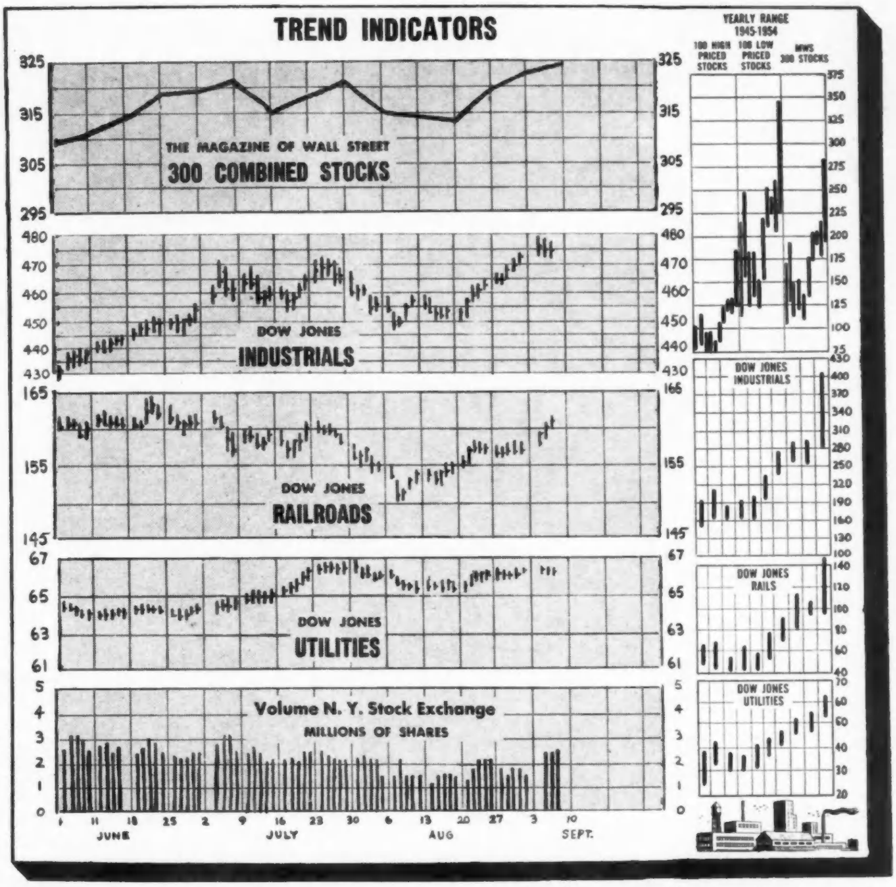
Test For Rail Section At Hand

Demand for rail stocks, restricted for some time, increased substantially in recent days up to this writing, taking the average to its best level in two months or so, and to within close striking distance of its June top, which stands as the bull-market high to date. Rails are normally more volatile than industrials, due to sharper swings in earnings. The latter will be good this year. Despite the fact that they will be nicked at least moderately later on by wage boosts, buyers of the stocks apparently reason that they are behind the market, less exploited than industrials and possibly subject to a worthwhile move. Betterment of the June high would not necessarily assure broad rise from the present level, but might give some lift to bullish sentiment by "confirming" the bull-trend implication of the new peak attained by the industrial average.

Because they are bought primarily on an investment yield basis, utility stocks are generally more sensitive to money-rate factors than are industrials or rails. Nevertheless, in the face of rising bond yields, the utility average has edged upward over the last three weeks or so; and now stands within a small fraction of its July 26 bull-market high, the latter recorded despite a money-rate handicap not much less formidable then than now. A fair number of individual utility stocks are at new highs, with

investors influenced more by rising earnings and dividends, and by the good defensive characteristics of the stocks, than by money-rate considerations. Utilities are also buttressed by a materially higher current yield basis (around 4.4% on average) than are investment-grade industrials, and a correspondingly wider yield spread over bond return.

Although the industrial average has reached a new peak, that is not yet true for more than a fairly small number of stock groups. The latter, up to this writing, include aluminum, auto parts, proprietary drugs, department stores, steel, rayon, tires and tobacco. It may also be noted that in recent sessions of strength in the averages, less than 10% of listed individual stocks attained new highs. Trading volume has remained moderate, and well under the broader levels seen early this year, but it has expanded somewhat on recent market strength. Thus, all indications are that most investors remain more inclined to sit tight, or to buy selectively, than to sell. That is always so until there is tangible and visible basis for doubt or alarm centering in business prospects, the earnings-dividend news or market action.



The current business news remains good, with the Reserve Board's seasonally-adjusted index of industrial production likely to show either approximate duplication or some betterment of the July peak for both August and September. The latest official report (for July) put total personal income at a new peak, and it is no doubt still higher by now. Employment in August reached a new peak. So did total outlays for new construction. Steel and copper remain in active demand and tight supply.

In three respects, however, the boom seems to have passed its crest for the foreseeable future: (1) In stock market volume and use of margin credit. Moreover, the rate of 1955 market rise, due to fairly frequent corrections, has been much slower than that of last year. (2) In housing, with starts already down to a 1.2 million annual rate, from 1.4 earlier this year, and implying less active demand for mortgage credit. (3) In automobile production, which is easing in transition to the 1956 models and to permit dealers to work down present decidedly excessive stocks. Limited style and other changes on the new models could hold sales under peak 1955 levels, thus checking the rise in installment debt which has been paced by car buying on credit.

This brings up these questions: Are the monetary authorities now sufficiently worried about impossible boom excess to apply the credit brakes harder than they are now doing? Or will they stand pat for a while and watch developments? Or, desiring at least healthy business activity in the election year 1956, will they relax the brakes somewhat between now and the end of the year? The inflationary threat could be exaggerated. At the retail end goods are in generally abundant supply, competition keen. Production, while at a new peak, is only slightly above its best 1953 level. We still have a fair degree of unemployment (for a prosperity period). And the broad wholesale price index is only some 10% above its average 1947-1949 level and under its 1951 peak. Any idea of "managing" both a mild recession and a strong subsequent revival in the 14 months between now and the election would seem risky, if not fatuous.

On average price-earnings ratios, the market position is not extreme. On current industrial-stock yield and its ratio to bond yield, it is verging on extreme. However, earnings have been running ahead of rising dividends, and the latter should tend to catch up via the year-end extras and further regular-rate boosts. So yield of the average year-end dividend rate, applied to present stock prices, is probably appreciably above current yield. Even so, the percentage distance from here to the final market top is probably moderate, compared with appreciation since September, 1953, and might be small. Caution and discrimination are advisable in any new buying. Where large profits are available, it makes sense to take some and to increase the proportion of defensive securities held. — Monday, September 12.

New Dimensions in Distribution

By Joseph C. Potter

The American economy of today probably is the eighth wonder of the world and is as much a source of amazement to Americans themselves as it is to foreigners. What is the secret of this enormously successful way of life, which brings an ever-increasing share of prosperity to the American family? It is simply that America, which always had led in mass-production techniques, has finally learned to bring its lagging system of distribution up to a point of excellence that matches its production know-how. For one of the most powerful factors, which in past years handicapped the American system, was over-emphasis placed on production compared with distribution. Until the science of distributing goods to the great masses of people on a reliable basis could be learned, we were always at the mercy of violent up-and-down swings in the economy.

In the past 20 years enormous impetus has been given to our system of distribution through means hitherto unknown. Social security, pension systems of great variety, "fringe benefits" to labor, unemployment insurance, paid vacations and the like have laid a strong foundation under the buying power of the American people. At the same time, the people themselves, fortified by assurance of future financial protection, lost their one-time pressing need to "save for a rainy day" and have, more and more, concentrated on buying the sort of things that make up our high living standards. Whereas in former times to go into debt was considered a calamity, today this is the normal thing, for families feel they can afford to do so—first, by virtue of steadily ris-

ing earnings, and second, because they need no longer be fearful of their future financial security which, though by no means too substantial as yet, at least offers a feeling of financial independence never before experienced.

Major credit, of course, for this solution of the vexing problem of enabling the people to buy the products of our factories must go to the unique system of installment buying, although fears have been expressed that this has been overdone and the Government has even sought to tighten the financial reins. On-the-cuff buying has been a powerful stimulant to the purchase of automobiles, appliances, clothing and even vacation junkets (Go to Europe this year and pay in 1956). Home-buying in the post-war decade has been at record levels, which could never have been attained but for the easy terms—in literally millions of instances there was not even a down-payment. Total consumer debt obligation is estimated at over $105 billion. More than $75 billion of this is in real estate mortgage debt, while over $30 billion is in short-term or intermediate-term consumer credit.

While the figures by themselves may bring gasps to conservative folk, these astronomical sums must be seen in a larger framework. Thus, while public and private debt in this land have risen about 50% since the close of World War II, our gross national product has gone up by nearly 70%. Consumers' net assets now stand at about $650 billion, more than six times the debt figure.

A New Era

Also, the modern-day custom of piling debt on debt must be seen in its sociological context. Whereas our senior citizens in their young married days had only to keep up with the Jones family, newlyweds today must keep up with the thousands of Joneses who live, like themselves, in new communities of one-family homes, equipped with a multitude of appliances and labor-saving devices, a car (No jalopy will do in these surroundings) and other creature comforts. They feel a need to dress well and to take regular vacations. The television antenna is standard equipment.

And whereas their elders may have borrowed out of dire necessity—sudden illness or loss of employment—this generation borrows to raise its living standards. They feel that in the event of illness they can, to a large degree, fall back on their hospitalization benefits or the union fund and, as for joblessness, they feel their economic prospects are good enough to warrant increasing their debts. In any event, unemployment compensation will ease the shock, assuming the worst. Many of these people do not feel the great need to save for their declining years, for they look forward to Federal old-age pensions, to be supplemented by union benefits. They can, in a growing number of instances, even count on burial benefits. They have recourse to the installment plan even for their savings—buying stocks on deferred payments.

Whatever the merits or faults of the deferred-payment system that is peculiar to American society, there is no doubt that only thus could a ready market be found each year for more than 7 million new cars or more than a million new homes. From the record it would appear that consumers not only are able to liquidate their obligations, but will continue to buy the goods and services they need and want. In the matter of motor cars, as an example, delinquencies run about 1% and as for homes, foreclosures are scarcely known.

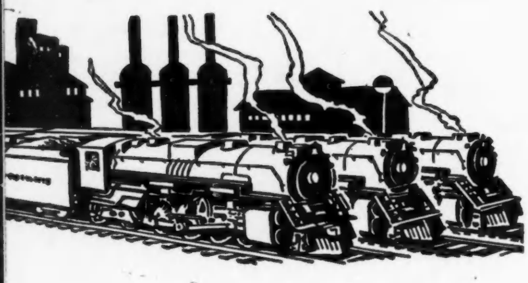
Home-owning today is within reach of all but the jobless, of whom there are precious few. In contrast to the terms required a generation ago, a purchaser now makes but a nominal down-payment and carries a 25- to 30-year mortgage, insured by some Federal agency. Our elders bought their homes by paying 30% to 40% of the total price and borrowing the balance from a bank or building-and-loan association, which assumed completely the mortgage loan risk. A home-buyer in those days, almost invariably, was a man of considerable substance—middle-aged and a business man or, at least, one of the aristocrats of the working class. Homes today, in large measure, are bought by young couples, who find it is cheaper than renting and affords more wholesome living. Their budget resembles nothing that their parents kept—today, much of their weekly income is spent before it is received. And they feel no stigma attaches to debt—all their neighbors are in the same fix. Oddly, they pay cash for their groceries, which is more than many of their parents did.

Of all the elements that combine to make this distributive mechanism function, the most unique is the relationship between employer and worker. Both groups are highly conscious of their interdependence and each other's needs. The executive, likely as not, was recruited from the bench, and the worker aspires to manage or own a business. Neither is class-conscious and, unlike the disparities that exist abroad, it would be difficult to tell an American employer from his employe after working hours. Both believe in the sort of bright future that aims at building distribution to support the economy's drive toward a gross national product of $500 billion by 1965. This is the prospect held out by President Eisenhower for a decade hence, and while the economy can achieve that level in terms of production, it can not do so unless the level of distribution is raised. Labor and capital are well aware of that.

Corporate leaders have won the confidence of the rank-and-file of labor through their eminently fair-dealing. Over the past four years (but prior to the 1955 round of wage increases) they have jumped wages, on the average, some 17% while cutting the prices of manufactured goods by nearly 2%. Thus, they have demonstrated their sincerity in striving to pass on to consumers (another name for workers) the benefits of more efficient productivity. In thousands of corporations there are such benefits as stock ownership, profit-sharing and pensions for the rank-and-file workers. As for the worker, his acquaintanceship with Marx is restricted to Groucho (always good for laughs) and his attitude toward his company is felicitous ("You can't get blood from a turnip."). Captains of industry have come out for higher wages, lower prices and greater safeguards for the employe and his family.

Creating Markets by Creating Demand

No study of the current system of accelerated distribution would be complete without citing the intensive and intelligent advertising and production programs that create vast new markets by creating public demand for every product, ranging from san-



itary napkins to sailboats. A measure of the importance of such programs in the calculations of those who must distribute the better than $300 billion annual product of the national economy may be gathered from the fact that last year a record $8 billion was spent to advertise these goods. This year it should soar far beyond that figure.

Promotional activities aimed at getting products into the hands of the public have undergone a radical change in this age of the supermarket, discount house and catch-all store, where impulse buying is the governing factor. Impulse buying was a negligible consideration in pre-war days when women shopped, list in hand, at cramped grocery or drug counter. Typical grocer, in those days, handled a few hundred items, mostly drably labeled, tucked under counter or hidden in rear storeroom. Shopping was a tedious chore—dingy stores, waiting in line, loose groceries cramped into a brown bag, asking the harried storekeeper whether he stocked a certain item and, finally, the weary haul homeward of cumbersome bundles.

That kind of store, and it was typical of the great chains as well as the Mama-and-Papa enterprise, is fast fading. Taking its place is the plush self-service, ornate, air-conditioned supermarket, which offers up to 7,000 items and piped-in music. To this supermarket comes the entire family in a car—parking space is as important to the new-age store as the goods it sells. Members of the family wander through the spacious aisles, browsing like intellectuals among the bookstalls on the Left Bank. There is no clerk to serve them (nor is any needed) as they wheel handcarts up and down the aisles, buying a wide range of groceries, meat products, tobacco items, drugs, phonograph records, alcoholic beverages, confections and greeting cards. It takes the entire family and the automobile trunk to cope with the packages.

Indeed, many supermarkets that started out with the traditional basic food items have expanded into apparel, jewelry and the so-called "traffic appliances"—the kind that can be carried away, such as toasters, electric clocks, irons and vacuum cleaners.

This kind of distribution gets more goods into more hands at considerable savings to the purchaser. It is a distribution revolution that goes a long way to explain the fantastic postwar growth of many products. Increased shelf and special display obviously increases sales. For baby foods, as an example, the increase is 1,500%, for frozen vegetables it is 1,275%, for frozen fruits and juices 850% and for canned soup 125%.

This distribution upheaval has come with such suddenness as to leave many a food processor with a multitude of problems. Products that had been household names and called for in another shopping era were stymied by drab labels. In an age of impulse buying, where a product must compete with a dozen others, the package must be colorful and eye-catching. The competition for shelf space is fierce and retailers are offered inducements, ranging from price cuts to gifts, to feature a brand of goods.

Growth of the supermarket and shopping-center system in the past decade has been breath-taking, made possible by on-the-cuff buying of homes and cars. Outstanding has been the swift emergence of such companies as Food Fair, already a giant of the field. A pioneer in the business, it was started as a single small market in 1920. By 1948, it was a massive operation with over 100 large modern supermarkets. Yet 103 markets were added during the past five years alone, bringing the total from 113 units in April of 1950 to 216 stores in April of this year. What is more, present expansion sights are set at the addition of about 100 more units by April, 1957. This expansion program will involve a capital expenditure in excess of $50 million.

Food Fair, which has the most striking growth record among the top chains, does an annual business of close to a half billion dollars. Like all supermarket chains, it strives for vast volume to compensate for the small profit margin. For the fiscal year ended April 30, net profit per dollar of sales was 1.8 cents. And that was an improvement over the preceding year, when only 1.67 cents was brought down to net. The Great Atlantic & Pacific Tea Co., a giant towering over this field, has set sales records nine years in succession, but consolidated net is less than a penny of sales dollar. That the Food Fair and A. & P. type of distribution—putting more goods into more hands at considerable savings—heralds the new era there can be no doubt. The American people have made of Food Fair, which was a hole-in-the-wall operation a generation ago, the seventh-ranking food retailer and the fourteenth among all retailers.

New Life In An Old Store

F. W. Woolworth & Co., which has just marked its 75th year, has taken on a new look to cope with the new-type distribution. It has followed the city folk in their trek to the suburb, embarked on a program of "serve yourself" and broadened its line of merchandise, so that it bears little resemblance to the "five and dime" that was a household phrase in the first half of this century. From 91 such stores at the close of 1953, Woolworth expanded self-service to 300 by early this year and expects to have 400 units in operation by yearend.

There may be a place for clerks and salespeople in the swank establishments, but they are a dwindling breed in the chain stores and supermarkets. Indeed, there has been a trend toward automatic merchandising, a system of mechanical dispensation into which Americans cram about $1.5 billion yearly. It has expanded its basic candy, soft-drink, coffee and cigarette service to meals, nylon stockings and a host of other items. Railroads, which have found dining-car service costly (to the roads and the travelers), are experimenting with automatic food dispensers. Horn & Hardart, one of the few successful restaurant chains in the country, long has featured automatic dispensing of food.

The fellow who could get it for you wholesale is an anachronism, because today anybody can get it wholesale. To stir interest in these times that fellow would have to be able to get it "very wholesale." To get it wholesale, you have only to walk into any one of the discount houses that have mushroomed all over the land.

The Discount Houses

They make a mockery of list prices, a myth perpetrated and perpetuated by an unholy combination of manufacturer and retailer. Discounters sell nationally advertised radios, television sets, washers, refrigerators and hundreds of other items at 30% to 45% under the list prices quoted by the old-line stores. They have had a field day, using a "suggested" national price on appliances and giftware as a comparative and selling against it at a substantial discount. Long-established retail giants, many of whom snuggled up to the big markup (30%, 35%, 40% and even more) and clamored for Fair Trade legislation (a misnomer), now are waking up. And not a minute too soon, for the price-cutters have walked off with about 50% of the hard-goods business. Many of these stores now are cutting their profit margins to meet the competition and hoping to make it up on volume. At any rate, they have nothing to lose, for a continuance of the list-price myth, the big markup and Fair Trade would simply fatten the already robust price-cutters and send them on the prowl for new fields to conquer.

It can't be any other way. For if the department store permits itself to be undersold in refrigerators, percolators, TV sets and fountain pens, the customer may want more of the same on apparel and rugs.

Aside from the carriage trade (which supports no billion-dollar volume), the customer wants a bargain. If people can save 30% or more on an item by buying from a discount house, large numbers of them will bypass the cathedral-like emporium on the fashionable avenue. They know that discount houses work on small margins (actually 5% to 17%) and the consequence is that many of these outlets the year round look like Christmas shopping at its height. They buy the same nationally-advertised wares in factory-sealed cartons, a fact that outweighs any doubts they may have about the reliability of the retailer.

In recent months the old-line stores have begun to run with the pack. Marshall Field in Chicago has even abandoned single-pricing of appliances. Its salespeople carry books that contain current price quotations, which vary as the competition demands. Department stores around the country have been running "discount" sales or advertising that they would not be undersold.

However, a stockholder of R. H. Macy & Co. was turned down when he offered to buy a pocket-size radio from its New York store provided it met the 30% cut of a nearby discount house.

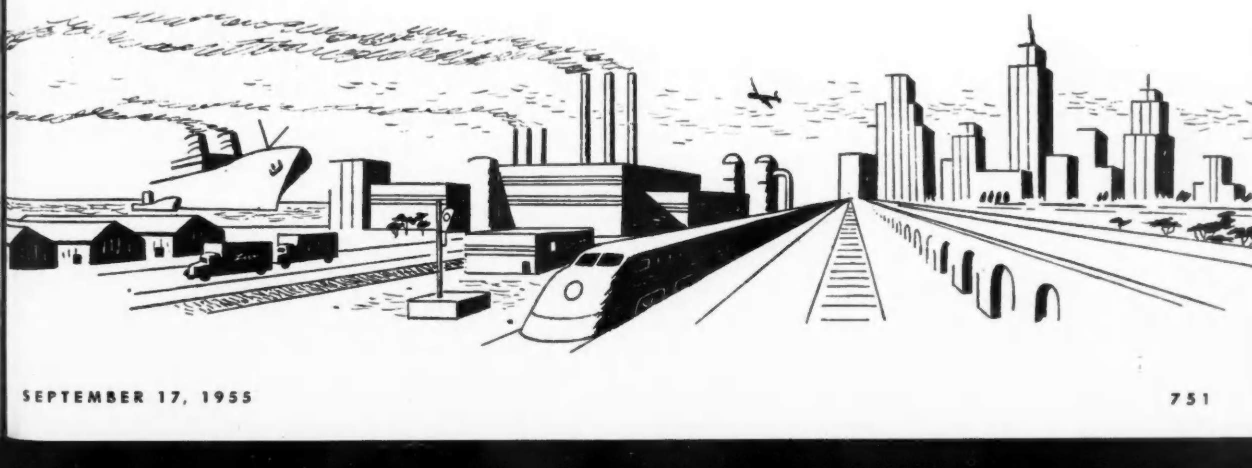
The Manufacturer's Position

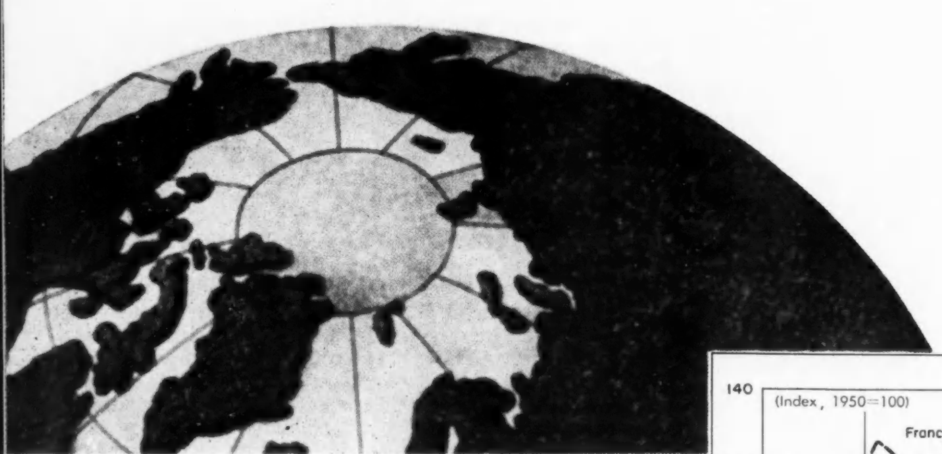
The price-cutter gets his merchandise where he can—manufacturers seeking to turn inventories into cash, other manufacturers fed up with stores that have forgotten how to sell and even from Fair Trade-minded retailers seeking to clear out surplus inventories. There is a type of manufacturer, and he is gaining ascendancy, who believes in selling to all comers and letting the fittest survive. Other companies, notably General Electric, are famous for their suits against discounters. The Fair Trade-minded store wouldn't dare to sue, for it would be in the unenviable position of telling the community that bargains should be banned.

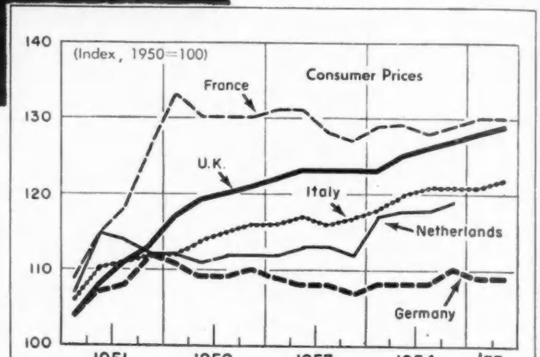
In the new era of distribution, retailers must learn to bake a bigger pie, so to speak, and get more goods into more hands at considerable savings to the customer. Defense of the big markup, list price and Fair Trade can only bring bad customer relations and a serious loss of business. Discount houses have burgeoned precisely because of such economic aberrations. The discount houses may dwindle in time, but only if department stores are smart enough to steal their thunder, because the price-cutting practices are here to stay.

Nor is there any room for the parasitical retailer. He is typified by the merchant who demanded a normal profit on each of several hundred appliances sold by the manufacturer to a mass housing developer. Many of these retailers got fat down the years by merely displaying, as franchised dealers, the wares of nationally-known companies. They handled none of the merchandise that found its way into homes and provided no personal service. Indeed, their outstanding service, if it can be called such, was to maintain the list price and Fair Trade myth.

While the automotive trade may seem remote from discount houses, their practices have cropped up in that field. Dealers "choking" on cars and strapped (*Please turn to page* 795)







NEW ECONOMIC TROUBLES in WESTERN EUROPE

by **HAROLD NICHOLSON**

The most anomalous phenomenon of modern economic history is that Western Europe is suffering not from the undermining efforts of Communists seeking to put into effect the Marxist philosophy but from the multiplicity of pains which are the result of an old-fashioned capitalist boom! Soothsayers, predicting evil times, have been harping into all ears dire forecasts of how Occidental economy is in danger of collapse because of the preaching of the extreme socialism of Soviet Russia. But most people, and especially workers, are not having time to listen to them because the capitalist system is providing an excess of employment opportunities. Organized opposition to Communism seems to have been unimpressive but Marxism is, for the present at least, in utter defeat because of operation of the same laws which Adam Smith observed nearly two centuries ago!

American political economists and businessmen have been watching the European developments with some degree of apprehension, feeling that should the Western European economy get out of hand, adverse repercussions might well be felt on this side of the Atlantic. Fears have been expressed that Europe's prosperity may be riding for a fall and that a post-boom depression would be mirrored here.

Assuredly, businessmen have seldom regretted reasonable precautions against any such result but the basic facts seem to dispel fears of any real menace to American welfare arising from the present European prosperity, hectic as it is and artificial as some of it might prove to be.

It is beyond question that the dangers of inflation are present in Europe. It is equally true that employment has reached such proportions that it feeds price and credit inflation with the ever present peril of reaction. A further circumstance is that economic assistance to Europe from the United States is drawing to an end with a suggestion inherent that this might truncate the curve of prosperity.

What the situation actually is may be described as one in which a new-born European industrial and general economic life has reached the point where it is suffering from growing pains, from some inevitable maladjustments in which one facet may have outrun another, producing imbalance.

An element easily overlooked by Americans is the vast difference between European experience and ours. Not since the War of the American Secession has this country suffered invasion, indeed suffered any of the physical effects of war's destructiveness. For nearly a century wars have brought booms and recessions but not material destruction. But the hand of war has fallen heavily upon Western Europe intermittently, the last time with appalling devastation.

Results of Economic Convalescence

Largely with American assistance, practically all Free Europe either is on the way or has recovered from the worst effects. What is being experienced now is the eagerly expressed vigor of the convalescent, exultant at a renewed freedom from a long

period of economic misery! Economic revels and tantrums are to be expected but these signs are not necessarily of evil omen!

The same thing happened after the Napoleonic Wars in the course of which an earlier Hitler had overrun all Europe save his own country, a country which, itself, was struggling out from under the wreckage of the French Revolution. Not dissimilar phenomena were noted after the First World War.

A major difference which has intensified the present situation is that in the Second World War vastly more people were engaged and the destruction of property was immeasurably greater. For one thing, there was more property, especially productive property such as machinery, to destroy! Only people, human nature, have remained the same in their reactions.

To realize the sensational rapidity with which European recovery has been marked let a new report on the Mutual Security Program in Western Europe tell in cold official terms the bare outline of what has occurred: "Western Europe's gross national product for the fiscal year 1955 (that is, the period ended July 1) adjusted for price changes, rose over 4 per cent. For the first six months of 1955 industrial output set a new record, almost 10 per cent above the comparable period of the year before. Economic expansion has been supported by a level of employment probably *higher than ever before* and by increased productivity. Trade is at record levels and exports to the dollar area, which had fallen in 1954, were 8 per cent higher in the first quarter of 1955 than in the comparable period of the previous year. This vigorous economic activity was accompanied by general price stability, although in a few countries demand rose faster than supply, creating mild inflationary pressures."

So, it will be seen, recovery had an almost explosive effect on a portion of the world wrapped normally in the utmost conservatism as to economic changes. It is true that, since July 1, there have been price rises caused by and causing inflation. Volume of employment, bringing a fresh and large pressure of purchasing power upon supplies of consumer goods necessarily in short supply, could have produced no other result. Whole peoples, released from a long nightmare of austerity, are going to spend freely, given the slightest chance!

It is fundamental economic law that shortages create especially concentrated demand. Shortages of particular things may occur anywhere in approximately normal times, even in the United States. But in Western Europe almost everything that mankind was accustomed to consume was in short supply. Moreover, the very machinery which produced articles of consumption had, themselves, been destroyed or stolen (as in the case of shipment of machinery behind the Iron Curtain.)

Aid Brought Competition

Western European countries might have eventually recovered after the war without American assistance although the recovery would have been very slow and almost certainly extremely spotty. Marshall Plan and other forms of aid not only greatly accelerated the pace of recovery but brought a substantial measure of uniformity.

It doubtless is not surprising that not a few American businessmen have become somewhat alarmed at the results. As in the Grecian myth of the sowing of dragon's teeth which produced devastating war, so it has been feared that American money planted broadcast through Europe the seeds of a competition which would develop to such an extent that it would imperil the welfare of the benefactors. It is not to be denied that such an element of eventuality exists. There is no doubt that supine industries thrown wholly out of the competitive field by war devastation have been rehabilitated by American funds and are back fighting for world markets and achieving some measure of success.

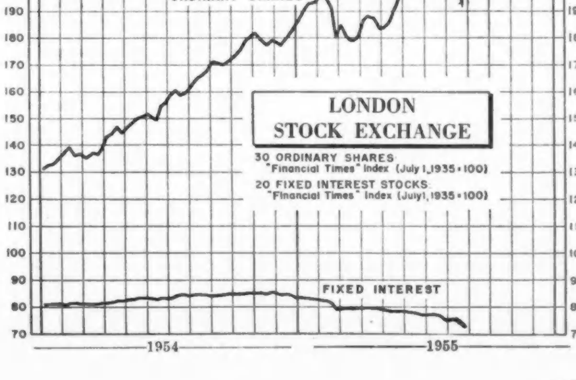
It is more than interesting to observe the reactions of not a few American businessmen as a result of these events. There seem to exist two major fears: one is that the reanimated European industries will out-trade us; a second is that the European boom will end in collapse and depression and that evil effects will be felt on this side of the sea!

It would be idle to assert that sucn things could not happen. Tides of business are mysterious, sometimes seemingly beyond comprehension or explanation. Yet it must be recognized that the United States could not be continuously happy and, perhaps, prosperous without recovery in Europe. Poorhouses do not make good customers. This conceded, it would appear something less than reasonable to deplore the very recovery held necessary.

To be sure, there is a politico-economic school of thought now much in control here which leans strongly to the free trade theory. Despite active opposition, Congress consented to an extension of the Reciprocal Trade Agreement and that, unquestionably, contains seeds of impairment of American industrial strength through foreign competition. President Eisenhower recently made a widely publicized gesture designed to assuage fears of American protectionists in increasing the tariff on bicycles. The British, the principal competitor involved, refer to this as the President's back-pedalling bicycle act! These same British probably are correct in saying the President's action was intended only to make a noise—which it unquestionably did—and that no dangerous material change in policy is foreshadowed.

Weakness in London Market

Stock exchanges everywhere are regarded as sensitive barometers of economic pressure and thermometers to be consulted as to economic health. In recent weeks much (*Please turn to page* 794)



BOTH *DEMOCRATIC / REPUBLICAN* POLITICS PREVENT FARM SURPLUS SOLUTION

by Thomas L. Godey

The domestic farm program, instituted in the early days of the New Deal and amended a number of times since by both Republican and Democratic Congresses, appears to be in process of breaking down under its own weight. Huge surpluses of numerous farm products have been accumulated by the Government as a result of price support operations but, despite this, prices of farm products and farm income have declined steadily with no end of the decline in sight.

On May 31 of this year, before the 1955 crops had begun to move to market or into government loans, the Commodity Credit Corporation "investment" in farm products amounted to $7.2 billion. This was $1.1 billion more than a year earlier, and it is not unlikely that the total will be over $8 billion by May, 1956.

Storage costs alone on these huge government holdings amount to approximately $20,000 per hour, or some $14,500,000 monthly or $175,000,000 annually! This represents, of course, only a part of the cost of administering the government agricultural program from headquarters in Washington all the way down to local part-time employes. Each individual farmer's share of the national acreage allotment of price-supported crops must be calculated, after which his actual plantings are checked. It is a far-reaching bureaucracy.

These tremendous costs and the imposition of numerous restraints on farmers might be acceptable if they resulted in improving the agricultural situation. But, it is difficult to justify such expenditures in the face of a 10 percent drop in net farm income from 1953 to 1954 and indications of a substantial drop again this year.

This sort of thing is grist for the politicians' mill, although there is little doubt that the politicians of both parties are primarily responsible for getting us into this mess. Abnormally high support prices, which may have been justifiable during World War II in order to stimulate needed production of food and fiber, have been maintained since the end of the war only because the politicians feared the loss of the farm vote. Even the lowest of the sliding scale price supports introduced last year represents a price level at which farmers will endeavor to overproduce.

During August, farm prices averaged 84 percent of "parity" — the mythical "fair price" for both producers and consumers established by Congress—as compared with 89 percent a year earlier and the all-time high of 123 percent in October, 1946. Actually, parity is a fraudulent concept, since it is based on outmoded methods of production and on historical price relationships that were unusual, but it makes a wonderful platform for politicians seeking the farm vote.

With the 1956 national elections only a little over a year away, the Democrats officially have plumped for restoration of full 90 percent of parity price supports—with numerous Republicans quite willing to go along with them—even though it is only too apparent that this would result in the accumulation of even bigger surpluses. And, to avoid surpluses accumulating more rapidly, controls on acreage and production would have to be made more rigid.

In theory, the surpluses of farm products taken over by the Government under price support operations are "insulated" from the market. But, in actual practice, they weigh heavily on the markets. The perishable nature of some products necessitates that the Commodity Credit Corporation push supplies out the back door, at cut rates, even while it is taking them in at artificially high prices through the front

door. Furthermore, there is widespread belief in the commodity markets of the world that the United States eventually will be forced to liquidate its huge holdings of farm products. None of this helps prices.

It is only too apparent that neither the farm price structure nor farm income can be improved unless the surpluses are pared substantially. Thus far, the steady contractions in farm income in recent years have not affected adversely our overall economy, but the contractions are considered by some economists as similar to a cancerous growth that may pull down our entire economic structure one of these days.

However, liquidating farm surpluses is not an easy proposition. By supporting prices of domestic agricultural products at artificially high levels, the United States has tended to lift the world farm price structure. This has encouraged expansion of agricultural output abroad to such high levels that we have lost a large part of our former export outlets. Government loans and grants to friendly countries have helped to move some of our surplus. So, too, has Public Law 480, which permits friendly countries to purchase with their local currencies. But, these have not prevented the surpluses in government hands from rising almost steadily.

Outlets to Iron Curtain Countries?

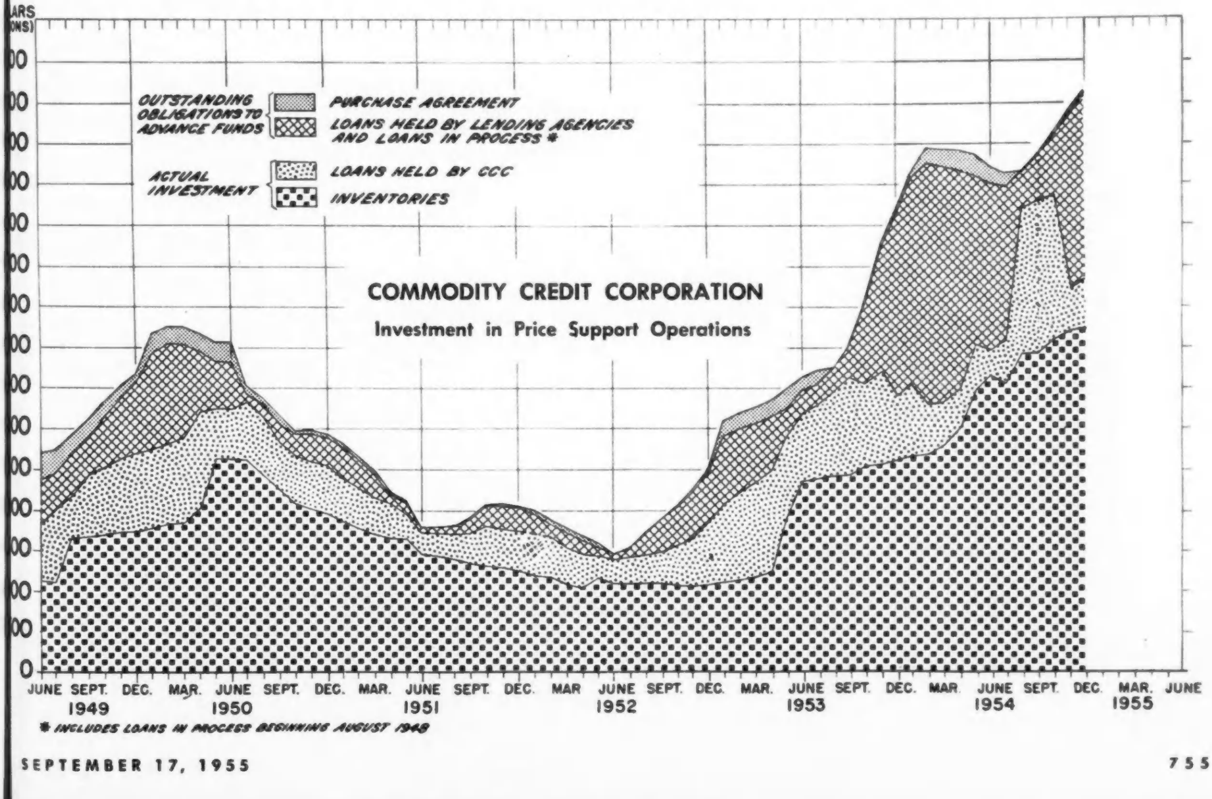
For export to friendly countries, some commdities now may be sold by the Commodity Credit Corporation at less than acquisition costs. For the domestic market, a high price structure is maintained which, in effect, is prohibitive. An exception is made for new uses but these have amounted to very little in the aggregate. School lunch programs furnish outlets for some of the more perishable products.

The communist countries, with their huge populations that really could use a large part of our surpluses, are the only practicable outlet. There is little doubt that some of our farm products, sold at cut prices to friendly countries, have been finding their way to the communist countries either directly or through replacement but the total has been small. For all practical purposes, the movement of our farm products to the communist countries has been prohibited. Russia, for instance, might be able to buy from the Commodity Credit Corporation at prices comparable to those at which surplus products are offered in our domestic market, but the Russians are good business men and know that prices are much lower in other markets.

Fear that we might help the communist military power has been a major factor in our unwillingness to sell to Russia, China, and other Iron Curtain countries at reduced prices. There also has been considerable belief that, by enabling the communist leaders to keep their subjects well fed and well clothed at low prices, we would be contributing to the enslavement of the people and preventing any possibility of their rising up against their masters. Such beliefs are based on the theory that hunger breeds revolution, although there should have been many revolutions in the communist countries if there were anything to the theory.

Our surpluses of farm products constitute a powerful weapon for peace, particularly now that we have had the top level Geneva conference. There is no sound reason why, so long as the communists maintain that they desire peace and show it by their deeds, we should not make our surpluses of farm products available to them at reduced prices the same as the rest of the world. Or, even for less in the case of products that are hard to move.

Actually, we would be helping ourselves much more than the (*Please turn to page* 795)



* INCLUDES LOANS IN PROCESS BEGINNING AUGUST 1949

Sound Investment Policy in a Changing Market

By Ward Gates

Paraphrasing the above title in question form, we can ask: What is the best policy for investors today? But then we also must ask: For whom, for which investor? For it is just as true today as in any other period in market history that, to obtain the maximum benefit, each investor must adopt an investment program geared to his own particular needs. An investment policy suited to the needs of one investor may be totally unsuited to the needs of others. In fact, it can be categorically stated that unless the individual investor realistically relates his investment program to his particular financial status—covering the actual capital at his disposal, his earning power, including income from investments, and his obligations—he is likely to lack that feeling of assurance and purpose so highly essential to at least a reasonably successful investment career. Since we cannot possibly give a formula of investment action to cover all classes of investors, the individual reader should view what is said in the following in the light of his own situation.

One of the most important tasks for the investor is to review his holdings periodically. This is especially necessary after a major move in the market such as we have had since the Spring of 1953, a period which has witnessed the greatest upsurge in stock prices in history. Market values have changed to such an enormous extent during this period that the investor is virtually compelled to re-examine his holdings making, if necessary, drastic changes to conform with the new situation.

We should say then that the investor undertaking a review of his securities at this time should consider that the market is now at an historically high figure and that prices for a very large number of important issues have penetrated areas at a degree of elevation never known before. Whether this suggests that a permanently high level for stocks has been established cannot be foretold, but the mere fact that important stocks *are* at extremely high price levels cannot and should not be ignored.

Accepting this as an inescapable fact of the current position of the market—making full allowance for all the individual stocks which have by no means entered this high price level, even after two years of enormous advance in the market, as a whole — the investor must proceed on the assumption that the burden of proof is now on the future to determine whether this new historically high price level for stocks can be held. The only light that can be cast on this problem is to refer to the past record of the market which shows that all new high price plateaus, without exception, have eventually had to endure the most severe tests before they could be said to have been firmly established.

With respect to the present position of the market, several important facts should be borne in mind. One is that by all commonly accepted standards of value, the great majority of stocks which have advanced the most in the past two and a half years

have either over-discounted, fully discounted, or almost discounted their rise in earnings and dividends during this period. For example, estimating earnings for representative corporations for 1955, we find that since 1953 (when the bull market started) earnings increased some 25%. But, during this period, based on the Dow industrial averages, stock prices went up about 75%. Thus, we see that stock prices have advanced about three times as fast as earnings. This is a rate of advance that will be difficult to maintain.

From the standpoint of yields obtainable on good-to-best quality stocks, the situation leaves much to be desired. Yields on representative stocks are now well under 4%, with many in the 2% to 3% bracket. This would place this important group of stocks with yields considerably under those now obtainable on good-grade bonds. This acts as a deterrent on normal investment buying.

Since the price of stocks is largely determined by (a) earnings, current and prospective and (b) the dividend return, it can be seen from the above that the market obviously at a high plateau, has been acting under radically different standards of value from those prevalent during the apex of previous bull markets. Naturally, it cannot be established how solid such new standards are, pending a real test of the underlying market structure.

Granted that the current position of the market demands a revision, or at least a re-examination, of investment programs by individual investors, the problem is to decide in the light of individual requirements, which general course of action would be desirable. In order to make these comments as practical as possible, we have viewed the problem from the standpoint of (1) investors who have maintained their position in the best-grade stocks over recent years, (2) investors who have a mixed position in investments and speculative-grade issues, (3) new investors who have entered the market in the past year and (4) chronically pessimistic individuals who, for one reason or another, have maintained large liquid assets, but who realize that they erred in not taking a position earlier and who are waiting for a substantial decline in order to rectify their past mistake.

1) Investors With Large Profits

Individuals who have concentrated on shares of leading companies during the post-war years and which have been retained to date should have accumulated very large profits by this time on the total investment. Their problem now is to decide whether to accept these profits in toto or in part, or whether to forego the opportunity altogether. If these assets are held on a long-term basis and are intended to form part of an (*Continued on page* 791)

30 Stocks Offering Good Investment Value

	No. of Years Paid Some Dividends	1953 Earned Per Share	1953 Div. Per Share	1954 Earned Per Share	1954 Div. Per Share	1955 Estimated Earn. Per Share	1955 Indicated Div. Per Share	Price Range 1953 to 1955	Recent Price	Div. Yield
American Chicle	29	$3.59	$2.50	$4.46	$3.00	$4.50	$3.00	71-44	66	4.5%
American Tobacco	50	5.90	4.00	6.12	4.40	7.00	4.40	77-55	74	5.9
Bankers Trust Co. (N.Y.)	51	4.17	2.20	4.57	2.25	4.65	2.55	65-45	63	4.0
Beatrice Foods	20	3.90	2.25	4.28	2.25	5.00	2.45	57-34	54	4.5
Beneficial Finance Co.	26	1.45	.96	1.55	.96	1.75	1.00	23-12	20	5.0
Borden Co.	56	4.28	2.80	4.82	2.80[1]	5.00	2.80	74-52	64	4.3
Campbell Soup	53	2.13	1.20	2.36	1.20	2.50	1.50	44-38[2]	38	4.0
Chesapeake & Ohio Ry.	33	6.05	3.00	5.01	3.00	6.50	3.00	54-32	53	5.6
C.I.T. Financial	34	3.62	1.80	3.85	2.25	4.10	2.25	50-24	48	4.6
Cleveland Elec. Illum.	55	2.04	1.30	1.93	1.30	2.30	1.45	38-23	37	4.0
Commercial Credit	21	5.21	2.40	4.86	2.60	5.35	2.60	57-31	53	4.9
Detroit Edison	46	1.92	1.50	2.05	1.60	2.20	1.60	37-24	36	4.4
Duquesne Light	39	2.22	1.55	2.26	1.66	2.20	1.80	38-28[2]	37	4.8
First National Stores	41	4.17	2.00	4.87	2.25	5.00	2.40	62-41	58	4.1
General Amer. Transportation	36	3.38	1.87	4.79	2.62	5.25	2.75	69-31	63	4.3
Guaranty Trust Co. (N.Y.)	63	4.44	2.25	4.30	3.55	4.60	3.70	87-61	79	4.6
Hanover Bank (N.Y.)	102	3.29	2.00	3.37	2.00[1]	3.60	2.00[1]	54-37	50	4.0
Household Finance	38	2.14	1.20[1]	2.30	1.20[1]	2.60	1.30	34-19	30	4.3
Middle South Utilities	6	2.06	1.37	2.13	1.42	2.20	1.50	35-22	33	4.5
National Biscuit	56	2.61	2.00	2.85	2.00	2.90	2.00	45-34	42	4.7
National Dairy	31	2.32	1.50	2.77	1.55	3.10	1.60	44-28	40	4.0
Norfolk & Western Ry.	54	4.83	3.50	4.52	3.50	5.50	3.50	58-39	58	6.0
Ohio Edison	25	3.15	2.20	3.02	2.20	3.40	2.20	52-34	50	4.4
Philadelphia Electric	53	2.36	1.55	2.25	1.75	2.30	1.80	43-28	41	4.3
Phillips Petroleum	21	5.25	2.60	5.20	2.60	5.75	3.00	79-48	72	4.1
Southern Natural Gas	19	2.06	1.40	1.89	1.55	2.40	1.60	35-23	34	4.7
Southern Pacific Co.	13	6.85	3.00	5.38	3.00	6.75	3.00	65-35	60	5.0
Sterling Drug	53	2.91	2.00	3.32	2.25	3.75	2.50	52-32	51	4.9
Union Oil of Calif.	39	6.41	2.00[1]	5.26	2.20	....	2.40	59-37	54	4.3
West Penn Electric Co.	20	1.72	1.10	1.88	1.15	2.00	1.30	29-16	29	4.4

[1]—Plus stock. [2]—From 1954 only.

THE WRONG INTERPRETATION?

By "VERITAS"

PATRONAGE problems have risen again to create an issue within the Administration. President Eisenhower has signed into law a bill to raise benefits for wives of retired railroaders and widows. In doing so, he rejected the pleas of "spoils system" advocates and reiterated the position he took when a major split in the party was threatened earlier in his Administration. R. J. Kelly, chairman of the Railroad Retirement Board, favored a veto. His reason was not hidden: the bill puts all appointments, except a few top spots, under Civil Service regulations.

> **WASHINGTON SEES:**
>
> The Federal fiscal policy for 1956 will be this: 1. Balance budget. 2. Income tax reduction. 3. Deficit appropriations.
>
> In the achievement of the first two parts of this program there will be bi-partisan effort which calls for no feats of management skill. The third is the end product of the others.
>
> When budgetary expenditure items are totaled alongside the anticipated deficit there is little spread from a balance position, percentagewise. Collect more and spend less and the elusive goal of matching income and outgo is at hand.
>
> One may ask, then, why the delay? The simple answer is that Washington hasn't had the urge of an oncoming election to force its hand. Better business is a factor in bigger tax receipts, but a more vigorous collection policy is the big item. While fixed costs leave little budgeted money available for economy moves, the Treasury always can postpone payments, delay the start of approved works, and otherwise indulge legal juggling which puts back the inevitable day of reckoning. Collections and "savings" mean budget balance. Also next year's deficit appropriations.
>
> Tax cuts? In an election year there will be no "if"; the only question is, "How much?" Pious declarations of "no budget balance on borrowed money" will go out the window when the Congressmen meet.

LABOR is attaching importance to Congressional action on the minimum pay boost which very obviously springs from hope and ambition rather than from cold analysis. Vote for a $1 floor (raised from 75 cents an hour) marks, says Labor, "the first time in recent history that the coalition of ultra-conservative Northern Republicans and ultra-conservatives Southern Democrats have lost control of Congress on an economic issue of primary concern to the South." The fact: Ike recommended it, a democratic congress enacted it with united bipartisan support. This, of course, was ignored by the Labor proponents in their one-sided analysis of the voting record of Congress on this matter.

FARM MACHINERY, more than anything else they say, seems to have impressed the delegation of 12 Soviet Union farmers who visited the United States. Asked in his Washington stopover whether there is a market in Russia for these products, Vladimir Matskevich, their leader, said an unhesitating yes. But he indicated the Soviet is a bargainer: "We would buy the types of machinery which would be useful on our farms—if the price is right." Some livestock impressed and it could be faulty interpreting that made him say: "We'd like to bring back some American heads."

FARM LOAN legislation signed by the President will bring about increased participation by lenders in the insured-loan program. The law now classifies advances made in the program as non-realty loans which means lenders, especially banks, will be able to make more of them on a government-insured basis. Paper work has been simplified, removing a major annoyance in such transactions.

As We Go To Press

When Republican Congressman Clarence Brown of Ohio predicted that this Congress would begin each day with a prayer and end it with a probe he showed traits of a seer. But Brown had in mind exploration of misdeeds of the Truman Administration; now it's Ike's team that is being looked into by issue-seeking Democrats. The suggestion that the Congress will do more probing than the College of Surgeons is more than facetious. But the politicos are becoming desperate; the Talbott and Hobby fiascos haven't dented Ike's popularity.

Regarded most likely to succeed are the House Operations Subcommittee investigation of news suppression by government agencies, Rep. Emanuel Celler's scrutiny of dollar-a-year men and WOC's (without compensation) appointees. Through the news investigation, the Democrats hope to rejuvenate the Salk vaccine controversy, the falsified figures on hydrogen fallout, the upgrading of unpleasant facts in the military. They hope to show that Ike's team isn't leveling with the people, isn't practicing simple truth.

Congressman Celler has the ideal topic for demagogic appeal: slamming the "haves," picturing them as playing fast and loose with the natural resources, properties, and tax-money of the "have nots." The potency of this issue is not being underestimated by the Agencies in Washington. They are ready to show that the Federal Government does not have on its payroll and cannot obtain, within the budgetary limitations imposed by Congress, the necessary scientific and professional skills to plan for peace and war, test procurement methods on the basis of experience.

Senator John Sparkman, a very effective investigator, as was shown when he took off after abuses in the federal housing program, is asking a question that will generate headlines across the country: he wants to know why 11,086 small businessmen failed last year. The question, in itself, is an accusation. And so that no one may be in doubt as to whom is accused, the Senator supplies a sub-question: Why their (small business) share of defense contracts fell from 25.1% to 20.8% last year. Objective obviously is to spotlight corruption in military buying -- some of the evidence of which is already in the record. And there will be probes of dope traffic, the stock market, auto dealers' failures, and many more. Several occupied the center of the stage during the winter and spring and are being kept alive by forced propaganda feeding.

The Democratic National Committee is viewing the Kentucky political situation with some mixed feelings. Foreseen is the possibility that traditionally Democratic Kentucky may come up with a Republican Governor this year. And the party heads aren't sure whether that is good, or bad, under existing conditions. A. B. "Happy" Chandler has dumped the machine in his state. In the process he toppled Senator Clements' organization, and won over the plea of the former "Veep," Barkley, that "Happy" be relegated. Chandler now has his eye on a Senate seat. He was deprived of that post by Alben Barkley in a hard contest which marked Chandler's break with the Democratic organization. Now he's on the road back and an election which normally would have only statewide repercussions takes on national importance.

If Ike runs again, his chances will be as improved in Kentucky which he failed to carry last time out, as they have been lessened in Texas -- the latter by the return of Gov. Shivers to the party of his political fathers, the Democrats. That would count a 14 electoral vote loss for Ike. If a Republican Governor takes over in Kentucky and starts the ball rolling toward a GOP win in 1956, that will

bring 10 electoral votes in sight. But if Texas reverts to custom, 24 electoral votes are chipped off the Eisenhower 1952 block.

Governor Shivers, a Democrat from way back, has only one reservation: he will not vote for Adlai Stevenson, he says; but he won't make a crusade as he did last time. The reason for this switch is the fact that the Governor has an eye on the U. S. Senate and Speaker Sam Rayburn has talked to him like an uncle. He will lead his state's delegation to the next convention, will not be penalized for his defection, but will promptly be seated and given a top committee assignment. And Rayburn's friends predict he'll stump for the ticket, Stevenson or not.

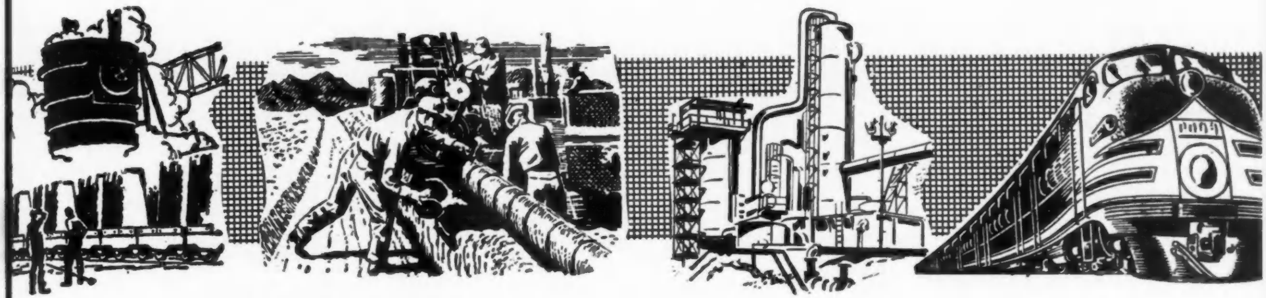
Interesting developments on the British labor front are being watched with interest in Washington's marble palaces -- those occupied by Government agencies and those tenanted by labor unions. The British labor-management pendulum has about completed its arc and is about as far away as it can get from Labor Party control and nationalization of industry. The innate British worship of civil rights is speaking out, and labor is stiffening for a few blows. Recent transportation and printers' strikes, coupled with repeated dock walkouts, have led to discussion of possibility of an English version of the Fair Labor Standards (Taft-Hartley) Act. Government and private studies of high production costs have accomplished nothing: prices have risen 30 per cent in England since 1951, while leveling off in the United States and in Germany.

The recess of Congress didn't mean vacation time was here for all lobbyists. Some of them merely transferred from Capitol Hill downtown to the bureaus. Now it is announced that the government is making a survey of oil imports. The Office of Defense Mobilization is brushing it off as fact-finding and of no deep significance. But of course it ties in with the new Reciprocal Trade Agreements Act and its provision for study of imports threatening the economic welfare of United States industry. Included in the rewrite is a provision for import restrictions by way of quotas to be fixed by the President. The coal and oil industries lobbied the last Congress for a fuel oil import cut to 10 per cent of 1954 consumption. These demands were withdrawn when the trade treaty bill was rewritten to give the White House quota-fixing power. It appeared that speedy use to aid the domestic fuel industry was envisioned. Correctly, it now seems.

President Eisenhower recognizes that the domestic coal industry has a problem of considerable proportion. Last February he proposed that consumers limit their imports of crude and residual oils to 1 million barrels daily. This would be added to 7 million barrels daily domestic production to meet present consumption needs; under the plan, adjustments would be made, in proportion, to meet changing consumption conditions. Since the import is a waste product, any price on it is largely profit. At or near ports of entry it could drive coal off the market. That points up the problem; the current studies by the Federal agency hint the probable solution.

The American Federation of Labor will go to Congress next January to ask for an investigation of industrial plant migration. This many-sided issue is likely to attract more disputants to the Congressional hearing rooms than can be heard in any normal session. AFL had trouble deciding whether it should come out openly against the movement. Some pointed out that an opposition stand would end chances of organizing locals in the new locale; others said gains would be offset by losses in membership at the point of departure.

Chief purpose of AFL's spotlighting plant movement is to stress what it considers to be a need for wiping out geographical differentials in wage and hour practices. Migration to the southern states can be traced in most cases to the lure of less expensive production costs. The unions prefer to disregard lower cost of living as a factor in the equation. Their gripe is the "kidnaping" of plants by Southern communities which offer free sites, tax exemptions for the starting period and lower levies thereafter.



1955 Midyear Re-appraisals of Values; Earnings and Dividend Forecasts

★ ★ ★

Prospects and Ratings for: Chemicals — Drugs — Petroleum — Metals — Paper

Part 6

The brilliant record made by business in the first half of the year seems likely to be duplicated in the second half but, in consideration of the extraordinary high plateau of business activity already reached by July, it would be close to a miracle if the same rate of gain could be achieved during the balance of the year. The favorable business background and outlook naturally has important implications with respect to future earnings and dividends. It should not be assumed however, that all industries are in an equally prosperous condition, despite the general speeding up of the economic pace. Some, such as coal, textiles, furniture and farm equipment which had experienced varying degrees of recession up to recently, are now showing signs of recovery but are still rather distant from substantially profitable operations. On the other hand, the major basic industries, such as steel, automobiles, public utility and such miscellaneous industries as rubber & tire, airlines, drugs and electronics are extremely active and give every indication of maintaining a high rate of profits until the end of the year.

Although the present large volume of business and satisfactory outlook has logically laid the foundation for expectation of an increase in the total amount of dividends to be paid this year, with numerous increases anticipated, the investor should be aware that during the first half a number of companies had already raised their dividends and that no further similar action is likely on their part during the next few months. On the other hand, there is an even larger number of companies in a highly prosperous condition which have thus far not increased their dividend rates though this clearly would be justified on the score of rising earnings.

The investor, in estimating dividend prospects, would do well not to raise his expectations indiscriminately, merely because the general dividend trend is up. He would do well to limit himself to an exploration of dividend possibilities among those companies with a steadily widening margin of earnings over dividends and which have not yet taken action to raise their dividends. It is also wise to recognize that a minority are still in uncertain dividend position which can lead to unfavorable action.

Subscribers and readers will be particularly interested in the ratings appended to each stock in the tables and individual comments. Ratings have been arranged to give the greatest practical service with respect to defining investment position and prospects for appreciation and income of the individual stock.

A) *A High-grade investment quality.* This includes stocks only of leadership quality, which meet in the highest degree the requirements of superior management, established position in the industry, substantial financial resources, proven record of earnings and dividends, and assured outlook for the long-range future.

B) *Good-grade.* This is limited to stocks which do not belong in the above category on all counts, but nevertheless represent soundly managed progressive companies, though of somewhat lesser investment grade.

C) *Speculative but improving.* Stocks mainly in cyclical industries, or which represent "marginal" companies.

D) *Unattractive.* Companies with a poor or irregular record.

To further assist our subscribers, we have added the symbols [1], [2], and *.

[1] These stocks appear to have better-than-average appreciation potentials, though this necessarily varies.

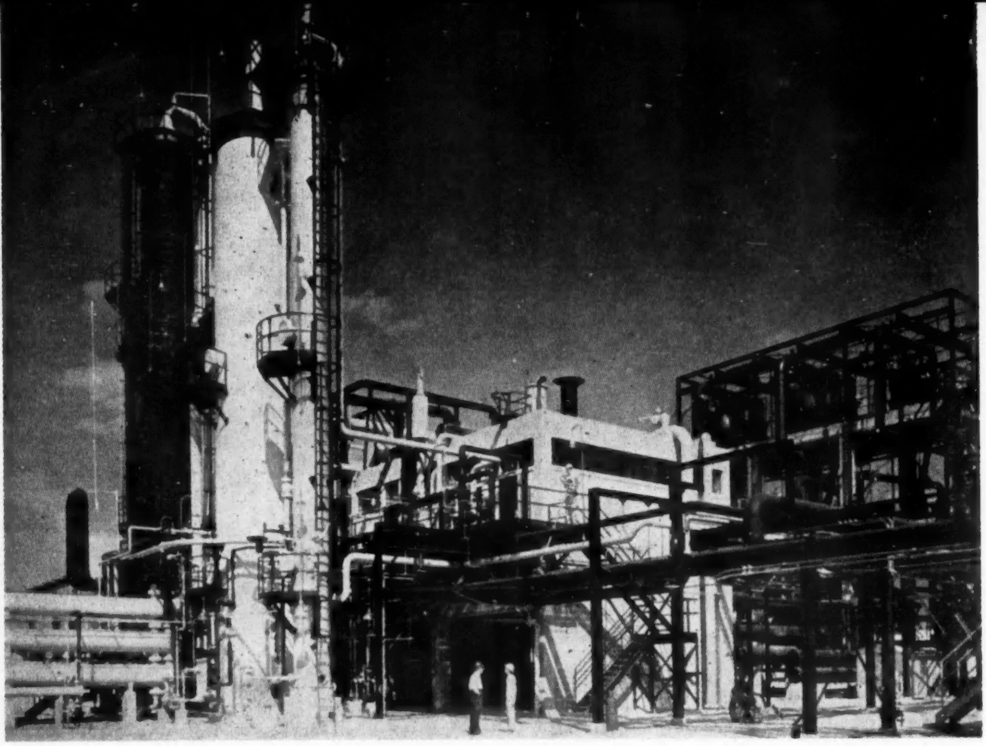
[2] These selective issues are limited mainly to stocks in "A" and are suited mainly for investors whose portfolio demands the best-grade growth stocks.

* This applies only to a limited number of stocks and which seem to possess the most attractive market potential of its group at this time.

Industries Featured in Mid-Year Forecast

— in six consecutive issues of The Magazine:

Railroads — Merchandising — Textiles — Food & Dairy — Sugar — Beverages — Tobacco — Rail, Elect., Farm, Office Equipments—Building —Machinery — Specialties — Steel —Auto & Tires — Accessories — Aircraft — Airlines — Bus & Truck — Shipping — Metals — Petroleum — Chemicals & Drugs — Paper.



Varied Outlook for Chemicals - Drugs

By CHARLES H. WENTWORTH

As the glamorous star of the industrial stage, chemical manufacturing has attained a measure of popularity unequaled by any other group. Reasons for such an outstanding record are not difficult to find. Progress in development of new products, in expansion of sales and in growth of earning power has been more pronounced and uninterrupted than in any other major industry. Seldom has a soundly financed concern failed to achieve success to some extent in basic chemicals.

Probably the most important factor accounting for phenomenal gains over the years has been research. Laboratory experts have been aggressively seeking new products through testing of various combinations of chemicals. The American public's willingness to try newly discovered gadgets or wonder drugs or detergents has provided a fertile testing ground that encourages experimentation. Aggressive merchandising through advertising and other promotional activities has helped stimulate expansion. As a result, authoritative surveys disclose that 40 per cent of the chemical industry's sales volume has been contributed by products that had not reached the market 15 years earlier.

Established and progressive companies representing an industry which can perpetuate itself so vigorously naturally command respect of investors. Portfolio managers long have been impressed with the high return on capital afforded by well managed chemical concerns as well as by the low labor factor inherent in this "push-button" type of operation. Comparative immunity to excessive wage rates helps sustain reasonable margins and permits rapid development of mass markets by restraining selling prices. Extensive promotion of plastics, synthetic yarns, packaging materials, and scores of other products can be traced to keen competition made possible by giving the consumer the benefits of low manufacturing costs.

Because the groundwork has been laid and markets are still rapidly expanding as the population gains momentum, it seems evident that the chemical industry still has far to go before genuine fears of saturation can be sincerely expressed.

So important to the general economy has been the introduction of major chemical discoveries that it may be argued with considerable logic that the chemical industry should be credited with sparking prosperity of the last decade. Likewise, rising health standards and increasing longevity can be traced to significant discoveries in pharmaceutical laboratories, where scientists have evolved from chemical products many wonder drugs. Achievements of the ethical drug industry in the last fifteen or twenty

years have surpassed those of the previous several centuries. As a consequence, the ethical drug industry has prospered as never before. Without doubt, progress in fighting disease has accounted in large measure for the fact that population in the United States has been rising at an annual rate of almost 3 million net—that is, an excess of births over deaths.

Population Growth and Expansion of Chemical Industry

This unprecedented growth in numbers of persons requiring food and shelter represents a powerful driving force in sustaining industrial activity. Without attempting a close analysis of causes here, it may be surmised that the rapid increment in American families accounts for as much of the impetus behind our prosperity as any other factor, including defense expenditures. Viewed in this light, the chemical industry takes on a degree of importance generally overlooked. Considering its basic essentiality in the industrial scheme, therefore, it is little wonder that it has continued to expand and that individual companies have registered such outstanding progress.

Because the industry's growth record has been so impressive, pessimists repeatedly have issued warnings of an approaching period of overexpansion and of excessive output that would pose serious problems. Thus far, however, minor excesses have been quickly corrected, chiefly, through continued growth. Now, with many new plants ready to begin production of synthetic ammonia and polyethelene, these fears are again being expressed. Chances are that unduly large output will find markets somewhere and that new, low-cost plants will fare well in any period of overproduction. As a matter of fact, the extraordinary development of the plastics industry should (*Please turn to page* 784)

Position of Leading Chemical Companies

	1st 6 Months: Net Sales 1954 (Millions)	Net Sales 1955 (Millions)	Net Profit Margin 1954 %	Net Profit Margin 1955 %	Net Per Share 1954	Net Per Share 1955	Full Year: Earned Per Share 1953	Earned Per Share 1954	Dividend Per Share 1954	Dividend Per Share Indicated 1955	Price Range 1954-1955	Recent Price	Div. Yield
AIR REDUCTION .... W.C. (mil.) '53—$39.6 W.C. (mil.) '54—$35.0	$ 59.9	$ 71.1	5.3%	7.2%	$ .97	$ 1.60	$ 2.06	$ 1.82	$ 1.40	$ 1.40	37½- 22½	34	4.1%
ALLIED CHEM. & DYE.. W.C. (mil.) '53—$179.1 W.C. (mil.) '54—$145.6	271.7	318.1	8.3	8.3	2.56	2.91	5.10	4.73	3.00	3.00	122¾- 72½	108	2.8
AMER. AGRI. CHEM..... W.C. (mil.) '53—$20.4 W.C. (mil.) '54—$19.1	67.1[1]	68.7[1]	6.7[1]	6.4[1]	7.27[1]	7.01[1]	6.45	7.27	4.50	4.50	91½- 57	81	5.5
AMER. CYANAMID ...... W.C. (mil.) '53—$142.9 W.C. (mil.) '54—$184.6	196.0	225.3	7.0	8.2	1.59	1.99	3.15	2.95	2.00	2.00	63 - 43⅜	60	3.3
ATLAS POWDER .... W.C. (mil.) '53—$17.0 W.C. (mil.) '54—$13.1	28.8	30.0	4.2	5.4	2.01	2.25	4.03	4.06	2.00	2.00	63⅛- 34¾	62	3.2
COLUMBIAN CARBON.. W.C. (mil.) '53—$16.6 W.C. (mil.) '54—$19.1	27.1	30.6	9.1	10.2	1.54	1.95	3.22	2.83	2.00	2.00	53¼- 41¾	48	4.1
COMM. SOLVENTS ...... W.C. (mil.) '53—$21.0 W.C. (mil.) '54—$25.7	23.7	24.9	5.3	6.3	.48	.60	1.01	1.01	1.00	1.00	26¾- 15¼	21	4.7
DIAMOND ALKALI ...... W.C. (mil.) '53—$21.9 W.C. (mil.) '54—$22.2	47.0	53.6	6.7	7.5	1.30	1.67	2.39	2.21	1.50	1.50	45¾- 27⅜	41	3.6
DOW CHEMICAL .... W.C. (mil.) '53—$150.1 W.C. (mil.) '54—$149.3	428.2[2]	470.7[2]	7.8[2]	7.9[2]	1.42[2]	1.64[2]	1.58	1.42	1.00	1.00	58⅞- 33⅜	56	1.7

W.C.—Working capital.
n.a.—Not available.

[1]—Year ended June 30.
[2]—Year ended May 31.

(*Please turn to page* 764)

Position of Leading Chemical Companies (Continued)

	1st 6 Months						Full Year						
	Net Sales		Net Profit Margin		Net Per Share		Earned Per Share		Dividend Per Share				
	1954	1955	1954	1955	1954	1955	1953	1954	1954	Indicated 1955	Price Range 1954-1955	Recent Price	Div. Yield
DU PONT .... W.C. (mil.) '53—$541.5 W.C. (mil.) '54—$568.8	$833.1	$958.1	18.2%	19.4%	$ 3.22	$ 3.98	$ 4.94	$ 7.34	$ 5.50	$ 6.50	249¾-104⅛	226	2.8%
FREEPORT SULPHUR .... W.C. (mil.) '53—$11.7 W.C. (mil.) '54—$11.0	n.a.	30.4	n.a.	19.3	1.99	2.45	3.56	4.20	2.50	2.50	88½- 45½	88	2.8
HERCULES POWDER .... W.C. (mil.) '53—$46.2 W.C. (mil.) '54—$42.0	92.1	112.5	7.7	8.2	2.58	3.38	4.19	5.10	3.00	3.15	129½- 68	129	2.4
HOOKER ELEC.-CHEM.. W.C. (mil.) '53—$16.8 W.C. (mil.) '54—$14.0	31.6	38.9	10.1	10.5	.62	.79	.96	1.20	.70	.95	44½- 19	41	2.3
INTER. MIN. & CHEM... W.C. (mil.) '53—$35.4 W.C. (mil.) '54—$31.1	66.2[1]	69.3[1]	6.1[1]	6.3[1]	1.63[1]	1.76[1]	2.87	2.44	1.60	1.60	42½-28⅝	33	4.9
MONSANTO CHEM. .... W.C. (mil.) '53—$109.4 W.C. (mil.) '54—$ 92.1	169.7	207.5	6.8	7.9	.72	1.02	1.63	1.46	.83	.92	52⅝-26½	44	2.1
OLIN MATHIESON CH. W.C. (mil.) '53—$ 83.1 W.C. (mil.) '54—$174.7	244.1	270.8	7.6	7.3	1.54	1.60	2.77	3.02	2.00[2]	2.00	64⅞- 38	59	3.3
PENNA. SALT MFG. .... W.C. (mil.) '53—$12.7 W.C. (mil.) '54—$13.4	29.2	33.9	6.0	5.8	1.43	1.59	2.50	2.73	1.85	1.85	53 - 41	49	3.7
ROHM & HAAS .... W.C. (mil.) '53—$23.2 W.C. (mil.) '54—$24.8	66.0	81.5	9.2	11.0	6.38	9.13	6.73	12.52	1.60[2]	1.60	372 -148	360	.4
SPENCER CHEMICAL.... W.C. (mil.) '53—$22.6 W.C. (mil.) '54—$18.9	24.6[1]	26.5[1]	14.7[1]	13.6[1]	2.81[1]	2.83[1]	4.01	4.20	2.40	2.40	74⅞- 55⅛	65	3.6
STAUFFER CHEMICAL.... W.C. (mil.) '53—$27.0 W.C. (mil.) '54—$27.2	40.0	50.1	7.3	8.2	1.25	1.76	2.31	2.44	1.30	1.45	60¾- 29	58	2.4
TEXAS GULF SULPHUR.. W.C. (mil.) '53—$46.9 W.C. (mil.) '54—$55.7	40.0	48.2	38.7	35.1	1.55	1.69	2.45	3.05	1.83	2.00	44⅞- 26⅛	40	5.0
UNION CAR. & CARB. W.C. (mil.) '53—$303.2 W.C. (mil.) '54—$396.6	435.1	554.2	9.6	11.4	1.44	2.20	3.55	3.10	2.50	2.75	106½- 70⅝	106	2.6
UNITED CARBON .... W.C. (mil.) '53—$9.4 W.C. (mil.) '54—$9.9	17.0	19.6	11.8	12.8	1.68	2.10	3.26	3.90	1.66	1.80	55¼- 38	50	3.6
VICTOR CHEMICAL .... W.C. (mil.) '53—$15.8 W.C. (mil.) '54—$15.6	22.3	23.4	8.7	7.9	1.12	1.00	1.76	2.02	1.30	1.40	37⅞- 26⅞	33	4.2
VIRG.-CAROLINA CH... W.C. (mil.) '53—$28.0 W.C. (mil.) '54—$24.2	85.4[3]	77.4[3]	4.2[3]	3.1[3]	4.26[3]	2.28[3]	5.12	4.26	....	....	51¾- 20	41	....

W.C.—Working capital.
n.a.—Not available.
(d)—Deficit.

1—9 months ended March 31.
2—Plus stock.
3—Year ended June 30.

(Please turn to page 765)

Position of Leading Ethical Drug Companies

	1st 6 Months Net Sales 1954 (Millions)	Net Sales 1955 (Millions)	Net Profit Margin 1954 %	Net Profit Margin 1955 %	Net Per Share 1954	Net Per Share 1955	Full Year Earned Per Share 1953	Earned Per Share 1954	Dividend Per Share 1954	Dividend Per Share Indicated 1955	Price Range 1954-1955	Recent Price	Div. Yield
ABBOTT LABS. .... W.C. (mil.) '53—$39.4 W.C. (mil.) '54—$38.2	$ 42.8	$ 44.9	9.0%	9.9%	$ .98	$ 1.13	$ 2.35	$ 2.21	$ 1.85	$ 1.85	49⅜- 39¾	42	4.4%
MERCK & CO. .... W.C. (mil.) '53—$55.8 W.C. (mil.) '54—$61.7	73.6	77.1	8.6	9.5	.55	.65	.96	1.09	.80	.80	30¾- 17¾	23	3.4
PARKE DAVIS & CO. .. W.C. (mil.) '53—$47.8 W.C. (mil.) '54—$48.5	52.5	59.7	8.6	10.7	.93	1.31	1.91	2.14	1.40	1.40	51⅛- 30⅝	42	3.3
PFIZER (CHAS.) & CO... W.C. (mil.) '53—$50.4 W.C. (mil.) '54—$55.3	72.5	79.4	10.1	10.2	1.42	1.58	2.74	2.95	1.35	1.35	50 - 30¼	44	3.0
SCHERING CORP. .... W.C. (mil.) '53—$7.8 W.C. (mil.) '54—$8.5	9.4	18.3	6.8	11.2	.36	1.17	.91	.89	.50	.50	35⅛ 11½	33	1.5

W.C.—Working Capital.

CHEMICAL COMPANIES

Air Reduction: High rate of activity in metal trades, major consumers of industrial gases, assuress excellent year for this second largest factor in its field. Diversification program gaining headway. B[1]*

Allied Chemical: Expansion in finer chemicals as well as in plastics helps to increase volume in higher priced lines, thereby widening profit margins. Promising rise in earnings foreseen. A[2]

American Agricultural Chemical: Diversification in insecticides and other chemical products reduces dependence on fertilizer in highly competitive areas. Liberal dividend policy aids shares. B[2]

American Cyanamid: Progress in fine chemicals and antibiotics accounts for higher evaluation of earnings as a "growth" issue. Encouraging recovery in earnings indicated for 1955. B[1]*

Atlas Powder: Despite emphasis on explosives, company shows promising outlook in expansion of other industrial chemicals, contributing to wider margins. Moderate rise in profits seen. B[2]

Columbian Carbon: Close affiliation with rubber and publishing industries in production of carbon black contributes to stable growth. Attraction lies in potentialities for natural gas. B[2]

Commercial Solvents: Interest in stock spurred by promising clinical tests of antibiotic discovery, but only moderate improvement in earnings indicated as diversification efforts proceed. C

Diamond Alkali: Encouraging progress in diversification attained through entrance into production of petrochemicals and insecticides as well as other lines. Higher earnings indicated. B[2]

Dow Chemical: Promising growth in basic chemicals continues with earnings held down by high amortization charges. Large cash flow points to more liberal dividend policy in due course. 2% stock dividend just declared. A[2]

DuPont: Recovery in textiles and high rate of output in other industries should bolster volume to new record this year and raise earnings to about $9 a share. Large General Motors income favorable. A[2]

Freeport Sulphur: Large consumption of sulphuric acid in reflecting industrial output points to another banner year. Growth in natural gas developments and in Cuban nickel venture indicated. B[2]

Hercules Powder: Continued emphasis on high margin chemicals minimizes importance of explosives and improves earnings. Increase in profits and higher dividend anticipated for 1955. A[1]

Hooker Electrochemical: Although considerable emphasis remains on heavy chemicals diversification in plastics is gaining. Moderate increase in earnings is foreseen for fiscal 1955. B[2]

International Minerals: Handicapped by keen competition in fertilizer industry as well as by labor problems in phosphate mining, progress has been slow in last year, but growth is indicated. C

Monsanto Chemical: Acquisition of Lion Oil, important factor in ammonia output, should broaden activities of Monsanto and improve earnings. Growth attained from ploughing back profits. A[1]*

Olin Mathieson: Consolidation now a year old shows prospect of further expansion through aggressive research and acquisition of other concerns. Economies in operations should aid margins. B[1]*

Pennsylvania Salt: Plans for upgrading products in industrial chemicals should stimulate growth. Gradual improvement in earnings indicated as volume in higher margin specialties rises. A[2]

Rohm & Haas: Aggressive research and success in promoting new products account for above-average progress. Management expected to pursue cautious dividend policy, paying partly in stock. A[2]

Spencer Chemical: One of leading petrochemical concerns, emphasizing synthetic ammonia, polyethylene, methanol and other products derived from natural gas. Long-term growth prospect promising. B[1]*

Stauffer Chemical: Aggressive expansion undertaken as once privately owned concern moves forward points to increased volume and earnings. Sharp upturn in profits indicated for 1955. B[1]*

Texas Gulf Sulphur: As largest producer of essential industrial raw material, this company is participating in business boom. New earnings peak anticipated, encouraging hope of dividend rise. B[2]

Union Carbide: Rebound in steel industry, large consumer of industrial gases, and improvement in textiles should lift sales to new high and encourage hope of a stock split in due course. A[2]

United Carbon: With expansion in natural gas, this activity has become major source of earnings, while carbon black output continues to expand slowly and afford a measure of stability. B

Victor Chemical: As leading producer of chemicals derived from phosphate, this concern has participated in vigorous growth of detergents. Keen competition in some lines holds down margins. C

Virginia-Carolina Chemical: Despite dependence on fertilizer, accounting for bulk of sales, company continues to achieve progress in industrial chemicals and in a synthetic fiber, Vicara. C

ETHICAL DRUG COMPANIES

Abbott Laboratories: Economic recovery abroad expected to aid foreign drug sales, especially this company's products. Moderate rise in earnings and dividends indicated for 1955. A[2]

Merck & Co.: Introduction of new products and aggressive promotion expected to bolster 1955 sales and lift earnings encouragingly. Promising long term progress in ethical drugs indicated. B[1]*

Parke, Davis: Increase in sales anticipated following stabilization of distribution of antipolio serum, of which company is leading producer. Wider margins expected to boost 1955 profits. B[2]

Pfizer (Chas.): Aggressive development of foreign markets in antibiotics and domestic agricultural outlets helps bolster sales at better-than-average rate. Encouraging increase in earnings. A[1]*

Schering Corp: Introduction of two new products for treatment of arthritis expected to boost 1955 sales and bring sharp rise in earnings. Competitive items coming on market. Higher dividend regarded likely. B[2]

RATING: A: High-grade investment quality. B: Good grade. C: Speculative but improving. D: Unattractive.
[1] Above-average appreciation potential at current market levels. [2] Retain for long-term investment. * Most attractive of group based on current market price.

WHAT'S AHEAD FOR OILS?

by Ernest Schiffler

Operating results in the first six months of the current year indicate that 1955 will be one of the best 12 months' periods in the oil industry's history. Reflecting the immediate outlook as well as the longer-term growth possibilities of representative issues in this group, market prices of oil company shares have scored appreciable advances from their year's lows, bringing yields down to a level where they are comparable with those to be had from good- to high-grade industrial stocks. For example, Standard Oil Co. of New Jersey, which has, for that matter, a ranking equal to the best grade industrials moved up from a low this year of 106⅝ to a recent high of 144½, later backing off to its present price around 135½ where it yields 3.6% on the $5 annual dividend.

From the standpoint of price appreciation, Esso is not the only outstanding oil stock. Appreciable gains have also been scored by Continental Oil by advancing from 70 to 90¾, Gulf Oil from 61½ to 89⅞, and Texas Co., moving up from 83½ to 108. Other issues in the oil list have registered price gains of anywhere from six points as in the case of Atlantic Refining to 25 points for Standard of California. Yields on the various issues at current market prices range from 1.7% on Houston Oil to 5.2% on Atlantic Refining, providing an index to the evaluation put on most of the oil issues by the long-term investor.

That this evaluation is higher today than in an earlier period of the year is accounted for by the sustained high demand both here and abroad for petroleum products. Domestic demand for 1955 is expected to run as high as 6.5% over that of 1954, while in areas outside of this country demand is expected to be upward of 8%. Looking ahead, domestic demand in 1956, it is believed, will increase by 4% over the current year's indicated daily average of close to 8.2 billion barrels. This could prove a conservative estimate, it being calculated on the basis of what is considered to be normal increase in demand for all oils but with industrial activity continuing at close to current level and an increasing number of cars and trucks in operation the rate of growth is likely to parallel the annual postwar increase of 5.8% in domestic petroleum consumption. On the basis of estimated 1955 crude oil consumption of 3 billion 136 million barrels, such a rate of increase in 1956 would mean the need for an additional 181.8 million barrels of which would take up more of shut-in production and enable refiners to employ a greater portion of excess refinery capacity built up during the Korean War days.

Further improving the current situation in the industry is that most of the oil companies with foreign production are holding down imports to the level suggested by the Cabinet committee on fuel

policy. For the first eight months, the flow of crude oil into the country from abroad averaged 750,000 barrels daily, although a few importers have exceeded their quotas. This has caused some domestic producers to become concerned that such a practice may spread to other producers of foreign crude oil and has moved a group of U. S. Senators to request Government action to restrict oil imports to the levels recommended by the Cabinet committee. It is suggested that restrictions be made enforceable through the Reciprocal Trade Agreements Act which, it is pointed out, was adopted with the understanding the Executive branch of the government would act when necessary to hold oil imports to the recommended level.

Of immediate concern to the industry is the need for keeping inventories, especially of light distillates—light heating and diesel oils—in fairly good balance. During most of the summer months refineries, running at a high rate to meet the gasoline demand, built up distillate stocks to where, on July 15, inventories of these products had increased by approximately 14 million barrels or 15% over the 94.8 million barrels in storage a year earlier. Leaders in the industry have been looking at this situation in distillates with a wary eye, fearing a weak price structure for light heating oils which might break wide open if the heating season was marked by warm weather. On the other hand, should next winter prove to be normal or colder than normal seasonal temperatures, the price structure for light heating oils could strengthen and inventories, now considered excessive, could turn out to be just about adequate for requirements.

Inventories of heavy fuel oil present a little different picture. With advanced cracking processes and improved facilities, refiners are getting from each barrel of crude processed increased quantities of gasoline and other products worth more in the market than heavy fuel oil. There is, therefore, a possibility that despite allowable imports running at a rate above that of 1954, a normal winter might result in a shortage of this fuel, supplies of which are already down sharply. As a matter of fact, a tightening supply situation, two price advances of 15 cents each per barrel have been posted along the Atlantic Coast by oil companies within the past eight weeks. Prices have also strengthened at Gulf and interior points, and heavier Venezuelan grades of crude oil recently were advanced 10 to 20 cents a barrel. Other products of the oil industry that have held firm during the current year have been diesel oils, demand for which reflects increasing consumption by the railroads and a firm demand for asphalt due to the high construction rate and the wider use of this material for road building. The price structure for the industry's major product, gasoline, is holding firm under unabated demand and the crude oil price structure is at about the highest level in the last three decades.

Substantial Capital Expenditures

Reflecting on the industry's view of continued growth is the huge capital expenditures for improved and additional facilities and exploration and development to increase reserves of crude oil and natural gas. *(Please turn to page* 789)

Statistical Data on Leading Oil Companies

	1st 6 Months						Full Year						
	Net Sales (Millions)		Net Profit Margin		Net Per Share		Earned Per Share		Dividend Per Share	Indicated	Price Range	Recent	Div.
	1954	1955	1954	1955	1954	1955	1953	1954	1954	1955	1954-1955	Price	Yield
AMERADA PETROLEUM W.C. (mil.) '53—$29.8 W.C. (mil.) '54—$31.9	$ 41.7	$ 50.4	19.2%	24.2%	$ 1.27	$ 1.93	$ 2.93	$ 3.14	$ 1.50	$ 2.00	115¼-83	96	2.1%
ATLANTIC REFINING.. W.C. (mil.) '53—$36.7 W.C. (mil.) '54—$93.3	242.3	259.0	8.1	7.3	2.14	2.03	5.41	4.47	2.00	2.00	40¼-27⅞	38	5.2
CITIES SERVICE CO. .... W.C. (mil.) '53—$88.8 W.C. (mil.) '54—$94.7	405.6	453.7	4.7	5.1	2.00	2.37	5.22	4.41	2.00	2.00	55⅝-31¼	56	3.5
CONTINENTAL OIL...... W.C. (mil.) '53—$68.2 W.C. (mil.) '54—$114.2	249.1	256.5	8.7	8.6	2.24	2.27	4.20	4.28	2.60	2.80	90¾-52	87	3.2
CREOLE PETROLEUM.... W.C. (mil.) '53—$191.7 W.C. (mil.) '54—$216.6	n.a.	n.a.	n.a.	n.a.	1.52	1.87	2.95	3.09	2.50	2.80	72½-24½	71	3.9
GULF OIL .... W.C. (mil.) '53—$424.6 W.C. (mil.) '54—$391.6	836.3	917.1	9.6	10.0	3.29	3.60	7.13	7.16	2.00[1]	2.25	89⅞-45⅞	85	2.6
HOUSTON OIL............. W.C. (mil.) '53—$4.4 W.C. (mil.) '54—$5.2	16.4	18.1	19.0	20.6	2.35	2.75	5.05	4.83	2.25	2.25	137 -64¾	127	1.7

W.C.—Working capital. n.a.—Not available. [1]—Plus Stock.

Statistical Data on Leading Oil Companies (Continued)

	1st 6 Months						Full Year						
	Net Sales		Net Profit Margin		Net Per Share		Earned Per Share		Dividend Per Share		Price Range	Recent Price	Yield Div.
	1954 (Millions)	1955 (Millions)	1954 %	1955 %	1954	1955	1953	1954	1954	Indicated 1955	1954 - 1955		
HUMBLE OIL & REF. .... W.C. (mil.) '53—$126.5 W.C. (mil.) '54—$ 99.6	$497.9	$532.4	15.0%	16.5%	$ 2.09	$ 2.46	$ 4.58	$ 4.08	$ 2.28	$ 2.28	105 -57	98	2.3%
IMPERIAL OIL .... W.C. (mil.) '53—$166.1 W.C. (mil.) '54—$157.7	293.8	318.9	8.8	7.6	.87	.82	1.61	1.66	.90	.90	41⅝-28⅝	40	2.2
OHIO OIL .... W.C. (mil.) '53—$64.1 W.C. (mil.) '54—$68.5	127.3	126.8	15.3	15.4	1.48	1.49	3.32	2.91	1.50	1.55	39 -27⅛	34	4.5
PHILLIPS PETE .... W.C. (mil.) '53—$151.4 W.C. (mil.) '54—$150.6	392.0	430.0	9.6	9.9	2.59	2.80	5.25	5.20	2.60	3.00	79 -53⅜	71	4.2
PLYMOUTH OIL .... W.C. (mil.) '53—$19.5 W.C. (mil.) '54—$19.7	n.a.	48.9	n.a.	7.9	1.39	1.61	3.32	2.78	1.60[1]	1.60	35⅝-24	34	4.7
PURE OIL .... W.C. (mil.) '53—$83.5 W.C. (mil.) '54—$89.0	184.6	238.0	7.5	6.9	1.59	1.83	3.06	3.56	1.50	1.90	41½-23½	38	5.0
RICHFIELD OIL .... W.C. (mil.) '53—$62.0 W.C. (mil.) '54—$76.5	102.2	123.7	12.1	11.8	3.10	3.66	7.22	6.39	3.50	3.50	75¼-48½	73	4.7
SEABOARD OIL .... W.C. (mil.) '53—$10.5 W.C. (mil.) '54—$14.3	19.3	21.0	17.7	16.9	.94	.97	1.79	2.04	.90	1.00	59½-28⅜	52	1.9
SHELL OIL .... W.C. (mil.) '53—$191.6 W.C. (mil.) '54—$178.5	655.6	713.4	9.6	7.6	2.31	1.98	4.20	4.41	1.87½	2.00	66½-38¼	61	3.2
SINCLAIR OIL .... W.C. (mil.) '53—$238.7 W.C. (mil.) '54—$244.4	499.0	535.5	7.5	7.0	2.97	2.92	5.53	6.04	2.60	2.60	59¾-32⅛	55	4.7
SKELLY OIL .... W.C. (mil.) '53—$42.4 W.C. (mil.) '54—$44.4	104.6	110.2	13.5	13.4	2.47	2.58	5.44	5.13	1.70	1.80	57½-35½	51	3.5
SOCONY-MOBIL .... W.C. (mil.) '53—$477.7 W.C. (mil.) '54—$422.7	803.8	832.5	10.9	11.6	2.51	2.77	5.35	5.25	2.25	2.25	62¾-35¼	61	3.6
STANDARD OIL CALIF. W.C. (mil.) '53—$273.2 W.C. (mil.) '54—$282.2	549.5	603.4	18.9	18.1	3.63	3.63	6.61	7.04	3.00[1]	3.00	98¾-52¾	90	3.3
STANDARD OIL IND... W.C. (mil.) '53—$407.4 W.C. (mil.) '54—$409.5	821.2	857.5	6.4	7.5	1.72	2.00	4.06	3.61	1.25[2]	1.40	53¾-34¼	49	2.8
STANDARD OIL N.J. .. W.C. (mil.) '53—$1,339.0 W.C. (mil.) '54—$1,522.0	n.a.	n.a.	n.a.	n.a.	4.84	5.26	9.59	8.94	4.55	5.00	144½-71¾	135	3.7
STANDARD OIL OHIO W.C. (mil.) '53—$71.5 W.C. (mil.) '54—$69.3	157.3	174.7	5.1	5.9	1.90	2.43	5.08	4.41	2.40	2.50	50⅜-32½	50	5.0
SUN OIL .... W.C. (mil.) '53—$78.2 W.C. (mil.) '54—$81.0	328.3	321.5	6.2	7.5	2.11	2.53	4.68	4.17	1.00[1]	1.00	75½-55¼	74	1.3

W.C.—Working capital.

n.a.—Not available.

[1]—Plus stock.

[2]—Plus 1 share S.O.N.J. for each 60 shares held.

Statistical Data on Leading Oil Companies (Continued)

	1st 6 Months						Full Year						
	Net Sales 1954 (Millions)	Net Sales 1955 (Millions)	Net Profit Margin 1954	Net Profit Margin 1955	Net Per Share 1954	Net Per Share 1955	Earned Per Share 1953	Earned Per Share 1954	Div. Per Share 1954	Div. Per Share Indicated 1955	Price Range 1954-1955	Recent Price	Div. Yield
S'RAY MID-CONT. OIL W.C. (mil.) '53—$44.9 W.C. (mil.) '54—$51.0	[3]	[3]	[3]	[3]	[3]	$ 1.06	[3]	[3]	[3]	$ 1.20	27¼-16⅛	24	5.0%
TEXAS CO. .... W.C. (mil.) '53—$484.7 W.C. (mil.) '54—$474.1	$753.3	$830.2	12.9%	15.3%	$ 3.55	4.55	7.01	8.24	3.75	3.75	108 -57½	103	3.6
TEXAS GULF PROD. .... W.C. (mil.) '53—$3.5 W.C. (mil.) '54—$4.0	6.5	7.9	4.4	4.6	.79	1.01	1.16	1.43	.51	.65	35½-13	34	1.9
TEX. PAC. COAL & OIL W.C. (mil.) '53—$7.4 W.C. (mil.) '54—$6.0	10.9	11.7	3.6	3.5	2.26	2.30	4.29	4.43	1.65	1.85	64¾-35	60	3.0
TIDEWATER ASSOC. .. W.C. (mil.) '53—$88.0 W.C. (mil.) '54—$94.5	229.3	239.2	7.9	7.5	1.35	1.44	2.89	3.13	.25[1]	[2]	34¾-18¼	32	....
UNION OIL OF CALIF. W.C. (mil.) '53—$93.1 W.C. (mil.) '54—$80.4	178.2	175.8	9.9	9.2	2.92	2.41	6.41	5.26	2.20	2.40	59¼-38½	54	4.4

W.C.—Working capital.
[1]—Plus stock.
[2]—Paid 5% stock thus far.
[3]—Merger effective May, 1955; no pro-forma available.

Amerada: Indicated 1955 earnings close to $4 a share provides broad dividend coverage. Is debt free and has recorded persistent growth. A[2]

Atlantic Refining: A well-integrated oil unit, strengthening its position and broadening in petrochemicals. Could increase $2 annual dividend. B[1*]

Cities Service: Current year's earnings should approximate $5 a share. Expansion and exploration plans will probably hold dividend to current rate. Small extra in stock possible. B[2]

Continental Oil: Has substantial refinery capacity, large crude reserves and extensive undeveloped acreages. Earnings provide broad coverage for 70-cent quarterly dividend. A[2]

Creole Petroleum: Largest Venezuelan crude oil producer with net crude reserves placed at 5 billion barrels. Estimated 1955 net income of $3.50 a share ample for $2.80 annual dividend. B[2]

Gulf Oil: A major integrated company with large Middle East oil acreage contributing about 45% to total earnings. Recent dividend increase may be forerunner of more liberal dividend policy. A[2]

Houston Oil: A relatively small producer. Has large undeveloped acreages. Timber holdings and joint interest with Time, Inc., in pulp and paper mill provides diversification. Dividend conservative on basis of 1955 indicated $5 a share earnings. B

Humble Oil: Huge crude oil and natural gas reserves of this large S. O. of N. J., subsidiary form an asset of tremendous value. Dividend conservative on basis of 1955 indicated earnings. A[2]

Imperial Oil: An affiliate of S. O. of N. J. Is the largest Canadian refiner, controlling substantial acreages in that country. Dividend amply covered. A[2]

Ohio Oil: An integrated unit with substantial crude oil and natural gas reserves, including joint interest in offshore production. 40-cent quarterly dividend on shares recently split 2-for-1 shares amply covered. B[2]

Phillips Petroleum: Successful Gulf coast tidelands exploration should add materially to its already huge natural gas reserves. One of the leaders in petrochemicals. Current dividend conservative. A[1*]

Plymouth Oil: Current year's earnings indicated at better than $3 a share. Dividend will probably hold at current rate in view of development program. C[2]

Pure Oil: Large crude oil and gas reserves being increased by exploration in tidelands and other areas. Conservative 40-cent quarterly dividend should continue. B[2]

Richfield Oil: Expanding refining facilities and embarking on a broad development program. Indicated 1955 net of $7.25 a share against $3.50 dividend needs. B[2]

Seaboard Oil: A medium-size crude oil producer in a well established position. The Texas Co. holds about one-third interest. Estimated net of $2 a share twice annual dividend requirements. B[2]

Shell Oil: Expanding exploration in Gulf tidelands and Canada. Also enlarging its position in petrochemicals. Heavy capital outlays dictate conservative dividend policy. A[2]

Sinclair: Continued operating progress points to improving status for this important factor in oil industry. Earnings, estimated at $6 a share this year, may result in moderately increased dividend. B[2]

Skelly Oil: Retention of large part of yearly earnings for capital outlays has been increasing earning power. Net for 1955 estimated at $5.25 a share. B[2]

Socony Mobil: Net for 1955 of close to $6 a share indicated. Continued huge capital expenditures will probably restrict dividends to current $2.25 annually. A[1*]

S. O. of California: Continues to pursue an aggressive development and marketing program. Outlays for these purposes will probably hold dividend to $3 annually. A[2]

S. O. of Indiana: The dominant refiner and producer in mid-West is expanding all phases of operations. Conservative dividend well protected. B[1*]

S. O. of N. J.: The world's leading petroleum organization with outstanding record of growth. Indicated 1955 earnings of $10 a share. Possible candidate for stock split. A[2]

S. O. of Ohio: Holds strong position in Ohio marketing area. Completion of $17-million plant in 1956 will put company in petrochemical field. Tapering capital outlays may pave way for higher dividend. B[2]

Sun Oil: A well-integrated unit with aggressive marketing ability. Possible that limited cash dividend will be supplemented by stock distribution. A[2]

Sunray Mid-Continent: Merger of Sunray Oil, principally a crude producer and Mid-Continent Petroleum, primarily a refiner and marketer forms a combination having good growth potentials. B[2]

The Texas Co.: Earnings for 1955 estimated at better than $9 a share, up from $8.24 last year. Increased dividend a possibility. A[2]

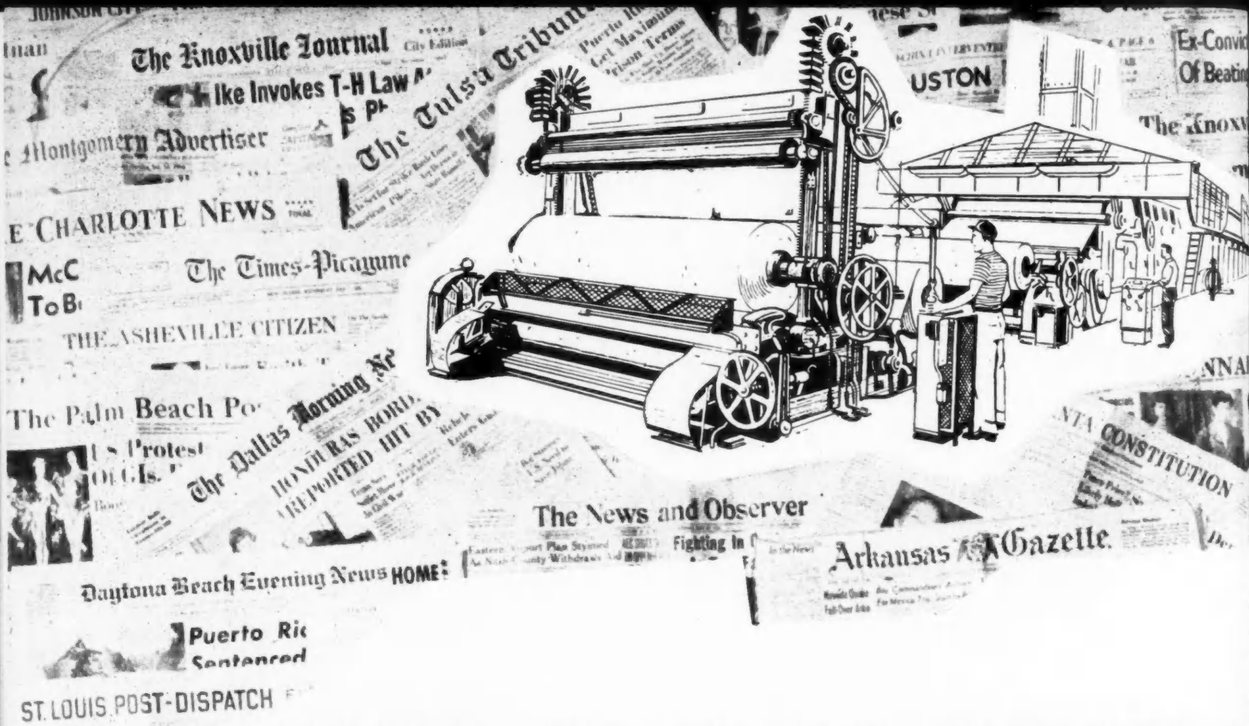
Texas Gulf Prod.: A relatively small crude oil and natural gas producer, holding extensive acreages considered to have substantial potentials. Another moderate dividend increase possible. C[2]

Texas Pacific C. & O.: Expanding crude oil and natural gas reflected in 1955 earnings estimated at $4.60 a share on present stock which it proposes to split on a 2-for-1 basis. B[1*]

Tidewater: Aggressively carry out a major rehabilitation program. Net for 1955 estimated at $3.13 a share, but capital needs may defer cash dividends. C[2]

Union Oil: Extending exploratory work to Texas and other domestic areas as well as Canada to increase reserves outside of California. 1955 earnings estimated at $5 a share. Current dividend should continue. B[1*]

RATING: A—High-grade investment quality. B—Good grade. C—Speculative but improving. D—Unattractive.
[1]—Above-average appreciation potential at current market levels. **[2]—Retain for long-term investment.**
***—Most attractive of group based on current market price.**



PAPER TEARS UP RECORDS

By Phillip Dobbs

The paper and pulp industry, which came up with a record year in 1954 despite a business recession on many fronts, is well on its way in 1955 to eclipsing by a wide margin anything the business has ever seen before. In 1954, the total value of production was $8.7 billion—slightly higher than 1953 and more than double the value of output a decade ago. That production this year will top the 1954 record of 26.7 million tons by a substantial margin is a foregone conclusion. Add to this the upward trend in paper prices and the outlook is for sharp gains in net earnings.

While the 1954 record is certain to be surpassed, the year-ago showing was even more remarkable, considering that many business people, concerned about inventories, extended their hand-to-mouth buying to paper needs. While they have found it easy to step up orders and get swift delivery on a wide variety of goods, this is not so easily done today in the case of paper. Indeed, the paper companies are being deluged with orders from many of these customers, all of whom want immediate delivery.

While in many other industries the boom has only developed a tendency to wait-and-see what the balance of the fading year holds before passing on the benefits to stockholders, the thriving paper industry is replete with instances of stepped-up rewards to shareholders. Thus, Crown Zellerbach has boosted the quarterly rate to 60 cents from 50 cents, Gaylord Container and St. Regis Paper have maintained a 45-cent quarterly rate against 37½ cents paid in the first three quarters of 1954, while Lily-Tulip Cup and Kimberly-Clark have split the common and raised the dividend. The prospect in the weeks ahead is for more of the same by those who have not yet joined the parade.

A measure of the strong demand for the approximately 14,000 products of this industry may be gleaned from the fact that while the industry last year turned out 26.7 million tons of all types of paper and board, consumption was on the order of 31.2 million tons, with imports, largely Canadian newsprint, supplying the difference. In 1954, the industry added about a million tons of productive capacity and began 1955 with an indicated capacity of roughly 30 million tons. Additions this year will be only about half of the year-ago figure.

New Production Records

An even better and more immediate measure of conditions in this industry may be obtained from the activity of the first six months of 1955, when production toted up to 14.7 million tons, an advance of 11% from the comparable 1954 period. Of equal significance is the fact that in the second quarter of this year the mills, although operating at somewhat less than capacity, produced at an annual rate of more than 30 million tons. Not to overlook the product mix, that spells boom ofttimes for certain companies and idle capacity for others, it should be noted that during the first half of 1955 all major segments, with the exception of building paper, produced at record-breaking rates. Improvement over the same period of 1954 ranged from 4.5% for tissue paper to 25.8% for newsprint.

Midway through the third quarter the production pace continued more torrid than the weather. Thus, the ratio of paper production to mill capacity was 98% in the week ended August 13. This compared with 96.5% in the preceding week and 92.6% a year before. These figures do not include mills that produce newsprint exclusively. Paperboard production

ratio to mill capacity also was 98%, unchanged from the previous week. It was 92% a year earlier.

Although the industry pattern is made up of record sales, higher net profits, improved profit margins and more generous dividend treatment (with even more to come), the paper people are not without problems. Most onerous, of course, is the steady tendency of costs to mount. Activity is of prime importance to a paper firm because of its substantial fixed costs. A record level of business activity, such as the nation now is enjoying, minimizes such burdens.

Union demands for wage increases in the industry this year were based on the argument that manufacturers were making more money than ever before and therefore could afford to pay more. There were few hitches in reaching accords and pay boosts, ranging to 14 cents an hour, were granted. Materials costs also have bounded upward.

Prices Also Rising

The industry, of course, has passed on, for the most part, the rising cost of doing business by hoisting prices of such products as fine papers, tissues, kraft and board. A boost in the price of newsprint is imminent. It was not so many years ago that paper people "ate" higher costs, for the business was fiercely competitive and supply outran demand. Of course, higher prices hobble the makers of paper cups and like items, often confronting them with the necessity of seeking compensatory boosts.

Current activity is a far cry from those days. The need now is to increase, and rather substantially, present capacity levels. The industry has been off on a multi-billion-dollar spending spree since the close of World War II, directed toward new plants, equipment, facilities and modernization along with research and new-product developments. But the pace may be even faster in the years ahead. Thus, giant International Paper Co., from the start of 1946 to the end of 1954 put into mills, equipment, supporting forest lands and converting plants a total of $33,462,000. On top of this, the company plans for capital expenditures amounting to more than $92 million, all to be spent during the current year.

Research gets major consideration in the calculations of an industry that constantly is stepping up the uses of its products and changing its attitude in terms of concentration points. Thus, the long-term trend of all paper production is upward, but where printing, packaging and writing paper took 86.9% of all the paper made in 1937, they now consume less than 77%. On the other hand, more and more paper is being made for use in building and sanitation.

International Paper, as an example, carries on major research in three laboratories. Investigations are directed toward the use of new wood species, the development of (*Please turn to page* 786)

Statistical Data on Leading Paper Companies

	1st 6 Months: Net Sales 1954 (Millions)	Net Sales 1955 (Millions)	Net Profit Margin 1954 %	Net Profit Margin 1955 %	Net Per Share 1954	Net Per Share 1955	Full Year: Earned Per Share 1953	Earned Per Share 1954	Dividend Per Share 1954	Dividend Per Share Indicated 1955	Price Range 1954-55	Recent Price	Div. Yield
CHAM. PAPER & FIB..... W.C. (mil.) '53—$24.4 W.C. (mil.) '54—$23.0	$ 32.3[1]	$ 36.1[1]	7.3%[1]	7.6%[1]	$ 1.03[1]	$ 1.21[1]	$ 4.13	$ 4.42	$ 2.00	$ 2.00	62 -33	54	3.7%
CONTAINER CORP. AM. W.C. (mil.) '53—$27.8 W.C. (mil.) '54—$24.5	90.7	102.2	8.9	7.4	3.18	2.99	3.95	5.31	2.60[6]	3.00	80 -33⅞	69	4.3
CROWN ZELLERBACH.. W.C. (mil.) '53—$80.6 W.C. (mil.) '54—$99.2	297.9[2]	306.3[2]	9.0[2]	10.6[2]	3.48[2]	4.26[2]	3.52	3.48	1.95	2.10[6]	84½-34¾	79	2.6
DIXIE CUP .... W.C. (mil.) '53—$16.3 W.C. (mil.) '54—$17.3	23.5	25.0	8.2	7.8	2.28	2.28	3.55	4.05	1.80	1.80	64¾-40	51	3.5
GAIR (ROBT.) CO. ...... W.C. (mil.) '53—$21.7 W.C. (mil.) '54—$19.1	71.5	77.4	5.6	5.6	1.22	1.32	2.96	2.28	1.50	1.50	34 -19	29	5.1
GAYLORD CONTAINER W.C. (mil.) '53—$19.5 W.C. (mil.) '54—$20.2	43.5	47.5	8.4	8.6	1.36	1.53	2.89	2.60	1.57½	1.80	54 -25¼	50	3.6
GT. NORTHERN PAPER W.C. (mil.) '53—$19.8 W.C. (mil.) '54—$19.4	22.5[3]	24.4[4]	9.2[3]	9.0[4]	2.09[3]	1.98[4]	4.63	3.97	3.00	3.00	92¼-54	80	3.7
INT'NATIONAL PAPER.. W.C. (mil.) '53—$142.6 W.C. (mil.) '54—$151.1	331.9	390.7	9.7	9.8	3.11	3.68	6.44	7.05	3.00[6]	3.25	114½-56	107	3.0
KIMBERLY-CLARK CP. .. W.C. (mil.) '53—$46.4 W.C. (mil.) '54—$46.8	40.8[5]	44.2[5]	7.2[5]	7.7[5]	.66[5]	.76[5]	2.62[2]	2.84[2]	1.35	1.72	58 -24	51	3.3

W.C.—Working capital.

[1]—Quarter ended June 30.
[2]—Year ended April 30, 1954 & 1955.
[3]—24 weeks ended June 30, 1954.
[4]—24 weeks ended June 19, 1955.
[5]—Quarter ended July 31.
[6]—Plus stock.

Statistical Data on Leading Paper Companies (Continued)

	1st 6 Months						Full Year						
	Net Sales		Net Profit Margin		Net Per Share		Earned Per Share		Dividend Per Share	Indicated	Price Range	Recent	Div.
	1954 (Millions)	1955 (Millions)	1954 %	1955 %	1954	1955	1953	1954	1954	1955	1954-1955	Price	Yield
LILY-TULIP CUP .... W.C. (mil.) '53—$11.6 W.C. (mil.) '54—$17.2	$ 32.3	$ 33.7	8.3%	7.9%	$ 1.98	$ 1.71	$ 2.29	$ 3.03	$ 1.20[6]	$ 1.50	66 -25	54	2.7%
MARATHON CORP. .... W.C. (mil.) '53—$36.3 W.C. (mil.) '54—$30.9	55.4	61.0	5.2	6.6	.78	1.10	1.55	2.01	1.20	1.20	35⅜-19	32	3.7
MEAD CORP. .... W.C. (mil.) '53—$21.8 W.C. (mil.) '54—$22.7	51.3[1]	64.0[1]	4.8[1]	5.9[1]	2.01[1]	2.85[1]	4.41	4.62	1.85[2]	2.00	69½-27½	60	3.3
NAT'L CONTAINER .... W.C. (mil.) '53—$14.8 W.C. (mil.) '54—$15.4	35.2	46.3	4.1	7.6	.40	1.03	1.07	1.01	.60	.60	23⅝-10¼	20	3.0
OXFORD PAPER CO. .... W.C. (mil.) '53—$14.4 W.C. (mil.) '54—$14.2	27.5	28.2	6.3	6.6	1.96	2.12	2.88	3.81	1.30	1.45	46⅜-14¾	40	3.6
RAYONIER .... W.C. (mil.) '53—$34.7 W.C. (mil.) '54—$49.0	40.9	70.3	14.5	11.4	1.07	1.42	1.89	2.05	.70	1.08	41⅞-10⅛	37	2.9
ST. REGIS PAPER......... W.C. (mil.) '53—$48.2 W.C. (mil.) '54—$76.5	101.3	112.4	7.8	7.7	1.40	1.52	2.91	2.62	1.57½	1.80	49¾-20⅛	43	4.1
SCOTT PAPER .... W.C. (mil.) '53—$31.1 W.C. (mil.) '54—$26.9	113.4	125.8	8.2	8.8	1.17	1.38	1.80	2.33	1.57½	1.80	78¾-34⅞	73	2.4
SUTHERLAND PAPER.... W.C. (mil.) '53—$14.2 W.C. (mil.) '54—$13.9	27.6	28.9	7.6	6.0	2.20	1.75	3.25	3.81	1.70	2.00	58¾-30½	48	4.1
UNION BAG & PAPER.. W.C. (mil.) '53—$15.4 W.C. (mil.) '54—$23.3	51.3	61.7	10.6	11.5	3.09	4.04	5.58	6.09	3.50	3.50	96¼-43⅝	93	3.7
WEST VA. PULP & PA. W.C. (mil.) '53—$36.8 W.C. (mil.) '54—$56.1	121.6[3]	129.0[3]	7.5[3]	8.6[3]	1.79[3]	2.18[3]	2.77	2.57	1.40	1.40	48½-23¼	44	3.1

W.C.—Working capital.
[1]—24 weeks ended June 12.
[2]—Plus stock.
[3]—9 months ended July 31.

Champion Paper & Fibre: Sales and earnings trend higher with company stepping up development and expansion of facilities. Total capital outlay this year will be on the order of $11.5 million, a rise of more than 30% from last 12 months. B

Container Corp.: Growing interest in Mengel, producer of papers and furniture, should contribute substantially to earnings. Issuance of $35 million in debentures this year designed to carry forward expansion and improvement program. B

Crown Zellerbach: Ranks second in industry, it is a fully integrated producer with extensive timber reserves. Its absorption of Gaylord Container should make for greater national representation. B[2]

Dixie Cup: Rising cost of paper used in its cups compensated by increases of its own, made in August. Protracted hot spell has boosted business and reduced wholesale stocks. B

Gair (Robert) Co.: In May, completed acquisition of Southern Advance Bag & Paper and Great Southern Box. Sales and net running ahead of 1954 for this company, which has achieved considerable diversification. C

Gaylord Container: An important factor east of the Rockies, company should contribute on the order of $90 million a year to the sales of Crown Zellerbach. C

Great Northern Paper: Bringing into production new facilities helping this kingpin of domestic newsprint field. Has record of paying some dividend in each year since 1910. Current payout should be maintained. B[2]

International Paper: Giant of the industry, characterized by good growth trend. Sales, net and profit margin running ahead of last year. A hike in the dividend over near term is in prospect. B[2]

Kimberley-Clark: Split stock and boosted dividend this year. Takeover of International Cellucotton Products should effect economies. B[2]

Lily-Tulip Cup: Split stock and boosted dividend this year. Current slight profits lag due to rising costs. Widening use of products. B[2]

Marathon Corp.: This container and packaging company reaping benefits of sales reorganization and cost cuts. New facilities put into operation this year and more are planned. Also completed $40 million financing program in 1955, with funds to be used to pay off loans, retire preferred and for working capital. B

Mead Corp.: Earnings and sales rising for this leading producer of magazine and book paper, and container board. Policy is to pay out 40% of earnings in dividends. B

National Container: New Georgia mill has added substantially to boardmaking capacity. Acquisition of Seaboard Container also helping. C[2]

Oxford Paper: A newcomer to the New York Stock Exchange, Oxford has long record of successful operation and growth. B[2]

Rayonier: Split stock and boosted dividend this year. First half marked by record tonnage, dollar sales and net. Has arranged for $100 million loan, with funds to be used to retire debts and preferred stock while balance will go for new mill. B[2]

St. Regis Paper: Third largest in industry, has outstanding management. Company has had tremendous growth and made numerous acquisitions in post-war decade. Favorable business conditions reflected in strong demand for its varied products. B[1]*

Scott Paper: A high-quality issue with long-term growth prospects. Management is topnotch, research is outstanding and merchandising unusually aggressive. Sells at far more liberal price-earnings ratio than others in field. Acquisitions, expansion and diversity point to continued growth. A[2]

Sutherland Paper: Lower selling prices and increased costs pinching earnings of this producer of packaging materials and items used for food and consumer goods. Dividend, upped last December, appears secure. B[2]

Union Bag & Paper: Sales, earnings and profit margin running ahead for this leader of the kraft bag field. Another yearend extra, equal at least to the 50 cents paid last December, is in prospect. B

West Virginia Pulp & Paper: Program of acquisitions, expansion and diversification has been translated into bigger sales and net along with improved profit margin. A rise in current dividend rate would appear to be likely over near term. B[2]

RATING: A — High-grade investment quality. B — Good grade. C — Speculative but improving. D — Unattractive.
[1]—Above-average appreciation potential at current market levels. **[2]—Retain for long-term investment.**
***—Most attractive of group based on current market price.**

Suddenly, this has become a period of scarcity in the metals, practically all the metals, as this study shows. Naturally, it is a subject of the keenest interest to investors, a situation in marked contrast to the apathy prevailing only a year ago.

NEW USES For Old Metals

By Richard Colston

Copper, at today's price of 43 cents a pound in the domestic market, is selling at the highest level in the history of the industry. Not even during World War I, when there were no government price controls and producers were hard put to meet war's requirements, did the price go above 37 cents. The present strong tone reflects a world-wide demand at a time when there is a scarcity of the metal. On the London Metal Exchange, it sold recently as high as the equivalent of 50 cents a pound. Predictions there are the strength of demand is likely to force the price still higher.

Similar predictions are heard in domestic copper circles. In fact, some consumers, in need of the metal, have paid more than 43 cents for small lots, and a custom smelter recently took some business at 50 cents a pound. Several factors give support to the outlook for a further increase in the domestic price. Primarily, of course, it is a matter of supply and demand. The latter has been out-running the former for a number of months.

Even before the strike of mine and mill workers, touched off on last July 1, copper in this country was in tight supply. The walkout which idled mine and mills for five or six weeks caused a production loss of approximately 72,000 tons of refined copper in the month of July. In that 31-day period mine production fell to 31,814 tons from June, 1955, output of 101,940 tons. At the same time producers' deliveries of refined copper to fabricators fell off by 72,587 tons from June delivery total of 132,730 tons. Although the last of the strikers returned to work along about mid-August, copper producers do not expect to get back to normal production until sometime toward the close of the current month. It will take considerably longer than that, of course, to make up July production loss.

Meanwhile, copper fabricators will have to get their copper where they can find it, probably being forced to pay more than the price set by domestic copper producers in order to keep their mills operating, partially at least. Another aside to the situation is that practically all of the copper fabricators, now working on a hand-to-mouth basis, will be quick to start building inventories as soon as the supply of the metal comes into balance. To predict that this will develop within the next few months requires a bit of optimism, especially when there is a possibility of the issuance of a Government order directing copper producers to set aside a portion of their output for defense plants that might run short of the metal. Giving rise to the possibility of such an order is the statement by a Business and Defense Services Administration official that there have been instances where contractors on defense work have been unable to get sufficient supplies of refined copper. Copper producers, however, have assured the BDSA they will cooperate in supplying copper to plants producing defense items without such order.

Working against any immediate easing in supply situation is the insistence by Chilean government officials that Anaconda Company and Kennecott Copper, the two big American producers of copper in that country, sell approximately two-thirds of their Chilean production in the European market. The motive behind this ruling, of course, is to get the higher European (*Please turn to page* 788)

Position of Leading Metal Companies

	1st 6 Months						Full Year						
	Net Sales		Net Profit Margin		Net Per Share		Earned Per Share		Dividend Per Share		Price Range	Recent Price	Div. Yield
	1954 (Millions)	1955 (Millions)	1954	1955	1954	1955	1953	1954	1954	Indicated 1955	1954-1955		
COPPERS													
AMER. METAL CO. LTD. W.C. (mil.) '53—$56.4 W.C. (mil.) '54—$61.1	$ n.a.	$ n.a.	n.a.%	n.a.%	$ .75	$ 1.59	$ 3.26	$ 3.32	$ 1.75[1]	$ 2.00	63⅝-19⅝	60	3.3%
AMER. SMELT. & REF... W.C. (mil.) '53—$118.2 W.C. (mil.) '54—$125.0	227.1	275.6	4.3	6.0	1.47	2.73	2.87	3.30	2.00	2.30	54¾-27⅞	55	4.1
ANACONDA CO. .... W.C. (mil.) '53—$175.6 W.C. (mil.) '54—$185.3	n.a.	n.a.	n.a.	n.a.	1.57	3.59	3.52	3.07	3.00	3.50	81⅞-29½	80	4.3
CALUMET & HECLA...... W.C. (mil.) '53—$14.1 W.C. (mil.) '54—$15.3	33.0	33.1	3.8	4.9	.61	.74	2.20	1.69	.60	.60	15¾- 7⅜	13	4.6
CERRO DE PASCO........ W.C. (mil.) '53—$21.6 W.C. (mil.) '54—$25.9	23.1	33.5	5.7	11.1	.98	2.61	3.06	5.03	1.12½[1]	1.50[1]	54 -20¼	54	2.7
HOWE SOUND .... W.C. (mil.) '53—$6.0 W.C. (mil.) '54—$6.6	7.9	11.6	4.4	8.9	.22	.63	.62	.48	.40	.70	24⅝-11½	24	2.9
HUDSON BAY M. & S. W.C. (mil.) '53—$26.1 W.C. (mil.) '54—$29.0	n.a.	27.4	n.a.	3.3	2.03	3.28	4.24	4.75	4.00	4.00	71 -38¾	68	5.8
INSP. CON. COPPER.... W.C. (mil.) '53—$16.1 W.C. (mil.) '54—$18.1	n.a.	13.0	n.a.	2.7	2.19	3.09	4.21	4.36	3.00	4.00	64 -21½	63	6.3
KENNECOTT COPPER.... W.C. (mil.) '53—$261.8 W.C. (mil.) '54—$269.7	216.4	278.8	19.4	23.4	3.89	6.05	8.20	7.20	6.00	6.50	128¾-64⅝	125	5.2
MAGNA COPPER .... W.C. (mil.) '53—$9.9 W.C. (mil.) '54—$8.3	n.a.	9.5	n.a.	36.7	3.29	3.19	4.76	5.18	[3]	[4]	105½-25⅛	101	....
MIAMI COPPER .... W.C. (mil.) '53—$17.0 W.C. (mil.) '54—$11.9	10.8	15.9	15.0	16.2	2.18	3.49	5.12	3.01	2.50	3.00	51½-22⅛	54	5.5
PHELPS DODGE .... W.C. (mil.) '53—$101.2 W.C. (mil.) '54—$114.7	129.5	167.8	14.9	19.4	1.91	3.22	4.02	4.19	3.00	3.25	64¾-30¾	62	5.2
ALUMINUM													
ALUMINUM, LTD. ...... W.C. (mil.) '53—$101.5 W.C. (mil.) '54—$131.6	$144.9	$183.7	12.8%	12.6%	$2.07	$2.33	$4.24	$3.87	$2.00	$2.15	112½-47	105	2.0%
ALUM. CO. of AMER. W.C. (mil.) '53—$89.7 W.C. (mil.) '54—$182.6	341.7	411.6	5.6	8.7	.90	1.72	2.36	2.19	.80	.95	74¾-29⅜	74	1.2
KAISER ALU. & CHEM. W.C. (mil.) '53—$45.0 W.C. (mil.) '54—$48.3	226.6[2]	268.1[2]	6.1[2]	10.6[2]	1.12[2]	1.95[2]	1.00	1.12	.43	.67	40⅛- 8¾	36	1.8
REYNOLDS METALS .... W.C. (mil.) '53—$80.5 W.C. (mil.) '54—$83.9	143.0	183.9	6.7	8.8	5.07	8.07	10.15	10.11	1.50[1]	2.25[1]	232 -51⅝	229	.9
LEAD & ZINC													
AMER. ZINC, L. & S... W.C. (mil.) '53—$10.5 W.C. (mil.) '54—$12.5	$ 29.5	$ 38.4	2.8%	2.8%	$ .97	$ 1.35	$ 1.91	$ 2.19	$ .80	$ .90[1]	30¼-12⅜	21	4.3
EAGLE-PICHER CO. .... W.C. (mil.) '53—$25.8 W.C. (mil.) '54—$18.4	$32.4	$55.7	1.8%	3.7%	$ .62	$2.11	$3.28	$2.47	$1.50	$1.50	36⅝-18⅛	34	4.4%

LEAD & ZINC (continued)

	1st 6 Months: Net Sales 1954 (Millions)	Net Sales 1955 (Millions)	Net Profit Margin 1954	Net Profit Margin 1955	Net Per Share 1954	Net Per Share 1955	Full Year: Earned Per Share 1953	Earned Per Share 1954	Dividend Per Share 1954	Dividend Per Share Indicated 1955	Price Range 1954-1955	Recent Price	Div. Yield
NEW JERSEY ZINC...... W.C. (mil.) '53—$29.6 W.C. (mil.) '54—$26.0	6.3	10.0	27.3	25.6	.88	1.31	1.38	1.58	1.25	1.25	49½-36½	44	2.8
ST. JOSEPH LEAD ...... W.C. (mil.) '53—$25.4 W.C. (mil.) '54—$29.5	39.9	62.4	6.8	10.8	1.01	2.48	2.40	2.86	2.00	3.00	55 -31⅞	52	5.7
U.S. SMLT, REF. & MIN. W.C. (mil.) '53—$23.1 W.C. (mil.) '54—$26.9	n.a.	18.5	n.a.	10.3	(d) .39	1.19	(d) 4.68	.56	....	2.00	60½-37⅝	53	3.7

W.C.—Working Capital.
n.a.—Not available.
[1]—Plus stock.
[2]—Year ended May 31.
[3]—7% stock.
[4]—Probably another payment in stock.

Miscellaneous Metals

	Net Sales 1954	Net Sales 1955	Net Profit Margin 1954	Net Profit Margin 1955	Net Per Share 1954	Net Per Share 1955	Earned Per Share 1953	Earned Per Share 1954	Dividend 1954	Dividend Indicated 1955	Price Range 1954-1955	Recent Price	Div. Yield
CLIMAX MOLYB. CO... W.C. (mil.) '53—$10.1 W.C. (mil.) '54—$14.8	$ 24.4	$ 29.3	28.5%	31.4%	$ 2.74	$ 3.59	$ 3.81	$ 6.07	$ 3.00	$ 3.50	80¾-37	68	5.1%
INT'NATIONAL NICKEL W.C. (mil.) '53—$190.7 W.C. (mil.) '54—$211.4	178.2	205.0	18.2	22.1	2.17	3.04	3.55	4.35	2.90	3.30	87 -34⅞	85	3.8
MOL. CORP. OF AM. W.C. (mil.) '53—$4.0 W.C. (mil.) '54—$4.2	n.a.	11.6	n.a.	4.7	n.a.	.86	1.16	1.01	1.00	1.00	67⅞-36	58	1.7
VANADIUM CORP. AM. W.C. (mil.) '53—$10.7 W.C. (mil.) '54—$15.9	26.5	17.4	7.5	8.5	1.16	1.96	2.70	2.50	1.30	1.65	47½-18⅛	42	3.9

W.C.—Working capital.
n.a.—Not available.

COPPER

American Metal: Immediate good earnings outlook supplemented by longer-range potentials of new Canadian property as well as profitable American and African investments. Dividend recently increased to $2 annually. B[2]

American Smelting: Expanding its position in copper and lead mining. Holds 50% interest in Canadian asbestos mine scheduled to go into production in 1958. Recently increased dividend might be augmented by year-end extra. B[2]

Calumet & Hecla: Continues to diversify in fabricating copper and aluminum end products as well as non-metal items, an important source of earnings. Prolonged mine strike hurt earnings in second and third quarters but current dividend should be maintained. C

Cerro de Pasco: Earnings for 1955 should reflect benefits from steady zinc, lead and copper demand at high prices. Further cost reduction should aid net profit. Current quarterly dividend could be raised. C

Howe Sound: Earnings in 1955 should be aided by initial profits from cobalt operations under 5-year Government contract. Should be able to maintain quarterly dividend recently increased to 25 cents. D

Hudson Bay Mining: Substantially improved 1955 first half earnings shown by this relatively low-cost producer. Has raised its dividend to $4 annually which should be covered by wide margin. C

Inspiration Copper: This relatively low-cost producer should show 1955 earnings of about $5.60 a share compared with $4.36 last year. Recently raised its dividend to $4 annually which should be maintained. C

Kennecott Copper: Record earnings indicated for 1955. Long-term possibilities broadened by its interest in titanium deposits and two gold-uranium mines in Africa, as well as its equity in Kaiser Aluminum. B[2]

Magma Copper: 1955 earnings indicated above last year's $5.18 a share. Government loan in connection with San Manuel property, however, blocks cash dividend. Will probably make another distribution in stock. C[2]

Miami Copper: 1955 first half net of $3.49 a share compared with $2.18 a year ago, reflects results at new Copper Cities mine as well as higher copper prices. Increased or year-end dividend could be paid. C

Phelps Dodge: Higher copper prices and relatively low-cost open pit mining combine to raise 1955 earnings considerably above 1954's $4.19 a share. Year-end extra could be more liberal. B[2]

ALUMINUM

Aluminium Ltd.: This low-cost producer will show substantially higher earnings for 1955 over last year's $3.87 a share. Large capital expenditures for expansion will probably hold dividend to current year. B[2]

Aluminum Co. of America: Fruits of recent years' expansion program being seen in 1955 first half year earnings rising to $1.72 a share. More liberal dividend possible in 1956. A[2]

Kaiser Aluminum: Increased producing and fabricating capacity sharply reflected in rising earnings. Continued expansion will probably preclude any immediate dividend increase. C[1]*

Reynolds Metals: An integrated producer in strong competitive position. Its large per-share cash flow should be close to $16 a share this year. Expansion program may hold dividend to moderate rate. B[2]

LEAD AND ZINC

American Zinc, Lead & Smlt: Improved zinc and lead market and increased operating efficiency indicates good gain in 1955 net over last year's $2.19 a share. More liberal cash dividend could be paid. C

Eagle-Picher: Zinc and lead operations continue as an important phase, but broader diversification in fabricating and manufacturing contribute materially to earnings. Current dividend should continue. C[2]

New Jersey Zinc: Higher zinc prices and gains from improved facilities account for improved earnings in 1955 first half-year. Strong finances should permit paying increased dividend. C[2]

St. Joseph Lead: First half-year earnings indicate 1955 net at close to $5 a share. This broad coverage for current $3 annual rate suggests a year-end extra B[2]

U. S. Smelting: Improved 1955 earnings and strong finances of this large gold, silver, zinc and lead producer furnishes basis for increased dividend or year-end extra. C[2]

MISCELLANEOUS METALS

Climax Molybdenum: Earnings from molybdenum production augmented by tungsten-vanadium and uranium output. Net for current year should exceed $6.07 a share earned in 1954. Might pay year-end extra. B[2]

Internat'l. Nickel: Higher copper prices adding materially to earnings of the world's largest nickel producer. Production of iron ore scheduled to start this year. Dividend secure. B[2]

Molybdenum Corp. of America: First half-year's earnings of $1.16 a share up from 85 cents a share a year ago. Has pact with Kennecott Copper for development of Canadian columbium-tantalum ore deposit. Current dividend should continue. C[2]

Vanadium: Substantial first half-year earnings gain to $1.96 a share reflects increased demand for wide variety of alloying agents by steel and aluminum producers. Expanding vanadium-uranium facilities. Increased dividend should be maintained. C[2]

RATING: A: High-grade investment quality. B: Good grade. C: Speculative but improving. D: Unattractive.
[1] Above-average appreciation potential at current market levels. [2] Retain for long-term investment. * Most attractive of group based on current market price.

FOR

PROFIT AND INCOME

The Box Score

With a little over two thirds of 1955 put behind, the following stock groups stand at lower levels, at this writing, than at the close of 1954: air conditioning, finance companies, gold mining, liquor, and variety stores. Groups which, on balance, show above-average gains on the year to date are: agricultural implements, air lines, aluminum, amusements, auto accessories, automobiles, business machines, chemicals, coal mining, copper mining, department stores, mail order stocks, paper, rail equipment, soft drinks, steel and textiles. Among groups which are normally volatile or tending to move with the market, the following are up less than average on the year: aircraft, electrical equipment, investment trusts, television, sugar and sulphur. Among relatively stable groups performing according to Hoyle by lagging behind the market are: baking, communications, containers, dairy products, food brands, food stores, public utilities and tobacco. Net gains on the year fairly well in line with that of our combined weekly average of 300 stocks are showing by construction, ethical drugs, machinery, meat packing, petroleum, railroads, and tires.

Systems

Every time the market reacts and losses accrue, there is increased interest in "systems" whereby investment or speculative operations are carried on with the fallible element of judgment eliminated or reduced. Unfortunately, there is no fool-proof system, method or "gadget". Some of the best known are discussed briefly herewith.

Stop-Loss

The function of a stop-loss order is simply to prevent or limit loss in a given stock. Use of stop-loss orders is not a "system" of market operation, excepting as a mechanical means for partial or full protection of profits. The trouble with the device is that the "right" price at which to place a stop is guesswork. If you place it close to the market, any minor reaction can cause loss of position in a stock which might have important further advance ahead of it. The further under the market a stop is placed, the less is the protection afforded. There is not a great deal to choose as between deciding where to place a stop and deciding whether and at what level to take a profit or cut a loss short. Either way there is margin for error.

Formulas

Some endowment funds use "formula plans", although fewer apparently do so than in the past, since one hears little about them these days. Although the details differ, the basic concept is to buy stocks on a scale down and sell on a scale up, with automatic shift in apportionment of total funds as between common stocks and bonds. Years ago some formula plans used a scale of 100-200 of the Dow industrial average, reducing bond holdings and increasing stock holdings on a fixed scale (usually every 10 points) below the 150 level; reversing that by scale selling of stocks and additions to bond holdings in the area above 150. The defect with formula plans is that no scale is fool-proof. For more than ten years, all bull and bear markets have run their entire courses in price

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1955	1954
Norfolk & Western Rwy.	7 mos. July 31	$3.22	$1.78
Oliver Corp.	9 mos. July 31	1.78	.86
Neisner Bros.	6 mos. June 30	.43	.21
American Export Lines	Quarter June 30	.60	.12
Mohawk Carpet Mills	6 mos. June 30	2.10	.75
Curtiss-Wright Corp.	6 mos. June 30	2.02	.95
El Paso Natural Gas	Quar. June 30	.72	.38
American Sugar Refining	6 mos. June 30	5.51	4.27
Firth Carpet Co.	6 mos. June 30	.35	.02
Kresge (S. S.) Co.	6 mos. June 30	.73	.62

areas above 150; and, from the perspective of a 1955 high around 470, 200 would be a very deep bear-market level. If it ever provided guidance for limited periods of years, "historical range" no longer does so. On the other hand, if one tries to set a "reasonable range" for formula-plan operation, perhaps allowing 3% a year for "normal" economic growth, that goes back to judgement and fallibility thereof.

Dow Theory

There is still some talk about Dow Theory, at least an interpretation of market trend or possible "trend evidence". How many people actually act on the basis of this system is problematical. Certainly the number is smaller than in older years. Dow Theory has worked fairly well in some bull and bear markets, poorly in others. A primary fault is that the system often gives "confirmations" of bull or bear trends with time lags ranging from considerable to long. To get around that, some Dow theorists try to anticipate major buy or sell signals. That short-cuts a supposedly automatic system by going back to judgement. If the anticipatory buying or selling proves wrong, as eventually signalled by the Theory or more quickly proven by the mere fact of mounting loss, the wrong-guesser is supposed to take his losses before they become crippling and to try again some other time.

Dollar Averaging

This is a method of saving and investing, not a system of market operation or of portfolio management. It involves investment of fixed sums at fixed intervals in one or several good-grade stocks. For example, for a person of moderate income, it might be $100 or $200 a month, or $300 or $600 quarterly, or about double the latter on a semi-annual basis. The method irons out market fluctuation, so far as long-term results are concerned, for any fixed sum invested at regular intervals will buy more shares at low prices than at high prices. The advantages of the method are as follows: (1) It is a mathematical certainty that it will result in a satisfactory long-pull average of prices paid for stock holdings; (2) it focuses judgment solely on stock selection, and makes that problem comparatively simple by emphasizing basic quality and long-term prospects, without regard to price valuation at time of purchases; (3) it results in a doubly-compounded growth of capital over the years via the investor's cumulative employment of savings, plus the company's cumulative plow-back of retained earnings. Any sound stock is suitable for accumulation on a dollar-averaging plan: American Telephone, General Motors, Eastman Kodak, Standard Oil (New Jersey), National Lead, etc. However, long-pull results will be best from growth stocks. Of course, a company growing fast today may not be growing five or ten years hence. This risk is minimized, if not eliminated, if the company is well-established in an essential, gradual-growth industry; if it plows back the bulk of earnings (two thirds or more) as fixed policy; and if it capitalizes its increasing investment by voting sizable stock dividends from time to time. Sun Oil meets this combination of requirements in a unique degree. To "roll your own" in a dollar-averaging savings-investment program will require a high degree of self-discipline. Those interested in this foolproof method of capital building —foolproof only on a long-term basis and by no means so on an interim basis—might well consider the New York Stock Exchange's Monthly Investment Plan, details of which can be had from any member firm.

Bank Stocks

For new readers, we repeat that bank stocks are attractive defensive investments. They are much less inflated than the average industrial stock. The risk is well below average, the yields average close to 4%, and there should be basis for moderate appreciation in the prospect of record earnings for some time to come as a result of rising money rates and heavy credit demand. Again to repeat, some good issues are Bank of America, Manufacturers Trust, First National City, Guaranty Trust, Irving Trust and New York Trust.

Preferred Stocks

We again call attention to the fact that on a yield basis, in comparison with common stock yields, good-grade preferred stocks are more attractive for conservative investment than in a great many years. They have held up well, despite rising money rates, because (1) new flotations have been fairly light, compared with bond flotations; and (2) because of buying by savings banks, pension funds, etc. Over the last two years or so average yield has ranged between about 4.2% and 3.9%, and it is around the higher figure at this writing. A few examples of many suitable issues are Atchison $2.50 preferred, May Department Stores $3.75, Pacific Gas & Electric $1.50, Pacific Lighting $4.50, American Can $1.75, General Motors $5, Corn Products $7, Radio Corp. $3.50, and Union Pacific $2.

Ten Times

At this writing the Dow industrial average is priced at about 13 times estimated 1955 earnings per share of the 30 issues (as adjusted to the average in the same way that its price level is calculated). The old rule of thumb was that, for individual stocks of fair or better quality, a price around 10 times earnings was a reasonable one. Here are some stocks of medium-to-better grades now priced around or below 10 times likely 1955 net per share: Allied Stores, Cities Service, American Stores, Reynolds Tobacco, McGraw-Hill, Pure Oil, American Smelting, Phelps Dodge, National Gypsum, North American Aviation.

DECREASES SHOWN IN RECENT EARNINGS REPORTS

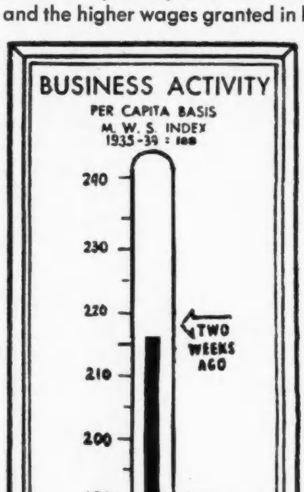
		1955	1954
United Gas Corp.	6 mos. June 30	$1.10	$1.23
Pacific Western Oil	6 mos. June 30	.42	.72
Admiral Corp.	Quar. June 30	.30	.45
Curtis Publishing Co.	6 mos. June 30	.33	.69
National Sugar Refining	6 mos. June 30	1.57	1.66
Pacific Tin Consolidated	Quar. June 30	.05	.24
Pet Milk Co.	Quar. June 30	1.46	2.26
United Engineering & Fdry.	6 mos. June 30	.47	.59
Greyhound Corp.	Quar. June 30	.27	.32
Solar Aircraft Co.	Quar. July 31	.56	.83

The Business Analyst

WHAT'S AHEAD FOR BUSINESS?

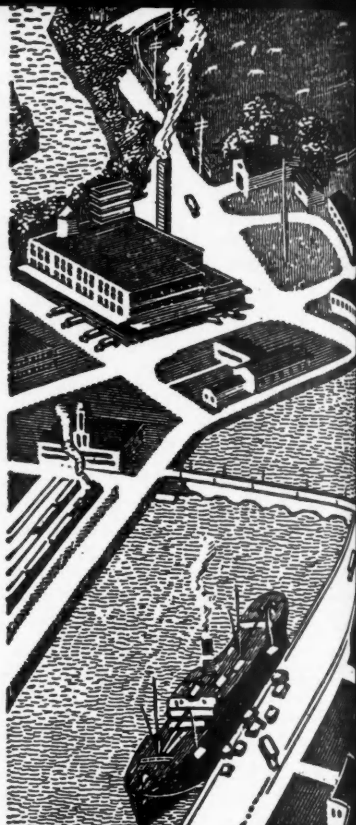
By E. K. A.

Fears that were expressed at the approach of this summer that business would not resume its full-tilt pace after Labor Day have been dispelled. With the public continuing to spend money even faster than it earns it, concern now largely is centered on prices, which have shown a tendency to rise, influenced by heavy demand for certain types of raw materials and the higher wages granted in key industries. Otherwise, business people have reason to be sanguine about the outlook for fall trade. Most of the slack put into the economy by the 1953-54 recession has been taken up. Unemployment has fallen to 2.5 million, a sizable reduction from the 3.3 million of early 1954. Work in manufacturing industries has gone above the 40-hour level and overtime once more is quite common. Industry is still boosting output, which now is more than 13% above the low of last year. Steel production and paper output, as examples, operate fairly close to capacity levels.



Turning to the consumer front, it will be found that automobile purchases remain at high levels as dealers push for sales, regardless of profit margins. Inventories, estimated at 750,000 units, must be cleaned up before the 1956 models go on sale in November. Business in the department stores and giant retailers around the country has quickened its pace, aided by cooler weather and back-to-school promotions. Sales of television sets, always slow-moving in the summer months, also have been improving.

Home furnishings and furniture, in general, are expected to continue in good demand, spurred by the high volume of home-building and modernization. Sales, price-cutting and discount-house practices also have served to stimulate the demand for these items. No doubt, considerable buying is in anticipation of higher prices to come, but in these days of spirited competition for the consumer's dollar there can be no return to the 35% and 40% markup on appliances.



It is noteworthy that those retailers who have done the most intensive prom tion, whether it be clearance of air-conditioners and auto mobiles or school apparel and other fall goods, are reapin the richest rewards. Thus, white goods, such as pillow case and sheets are in little demand in the summer months, b promotions by alert merchants have stimulated even th segment of the business. Many of these aggressive mercha disers already have done substantial Christmas business b promoting lay-away plans for toys and other gift items.

Indeed, inventory buildups for an expected record bu ness this Christmas have placed considerable strain on cred facilities. Demand for credit in excess of supply brought another rash of interest rate boosts in the closing days August. These latest increases have made certain kinds borrowings twice as costly now as they were only seve months ago, when interest rates began their sharp climb.

There is yet another aspect of fall trade that will be watching. The business community is wondering whether s goods is capable of taking up part of the slack that is boun to arise out of any downturn in the consumer-durable (esp cially automotive) and construction industries. These industri have toppled one record after another to confound the pe simists. Now, there are increasing doubts about the ability these industries to continue their breakneck pace, stirred b credit-tightening moves.

For the most part, the soft-goods field has been enjoyi a good year, despite a torrid summer that was not conduci to the donning of clothes or shopping for apparel. In ad tion, hurricanes and floods along the Eastern seaboa brought disruptions to the economy. The improvement in t soft-goods line from 1953 levels is on the order of 5%, co pared with 18% for durables. If there is to be a letdown purchases of durables, then the sellers of soft goods will b confronted with a prime opportunity. For it is a fact th while personal income now is nearly $15 billion higher th record 1953, the rate of spending is up by some $20 billi

The Business Analyst

HIGHLIGHTS

ONEY & CREDIT—Recent money market developments ave been highlighting some of the pitfalls that lie on he road to effective credit restraint. With the monetary uthorities especially concerned about sky-rocketing onsumer instalment debt and anxious to prevent demand from pouring out into inflationary avenues, redit-tightening moves already taken seem to be discouraging borrowing by state and local governments ather than having much effect thus far on those against whom it has been mainly directed. In the past month r so, three tax exempt issues have been shelved because the bids received set too high an interest cost. During the same period, bank loans to business, which re used mostly to build inventory, have increased more than seasonally, a long list of commodity prices ave been rising vigorously and there is no sign as yet f a slowdown in consumer borrowing.

Although tighter credit has thus far failed to achieve ny spectacular results, the Federal Reserve to all appearances is pursuing its policy of credit restraint with ndiminished vigor. In the last few days, three more Central Banks have increased their rediscount rate to 2¼% and the deficiency in net free reserves of the member banks is growing rapidly. This has understandably ed to a further rise in short term money costs and the Treasury on September 2 had to pay 2.134% on its latest bill offering, the highest rate for this type of borrowing since August, 1953. Commercial paper rates went up again for the eighth time this year and bankers' acceptances were raised another notch.

In the markets for high grade bonds, divergent trends were in evidence as Labor Day approached. Government obligations evidently were buoyed by the news that the Treasury was planning to issue short-term tax-anticipation notes in its October new money borrowing and long-term Treasuries extended the recovery that began early n August, adding ¼ to ¾ points in the two weeks ending September 2. Corporate, state and municipal obligations, on the other hand, were somewhat lower, reflecting the arge supply of new issue flotations, already set or in prospect. Corporate obligations on which offering dates have been announced amounted to $419 million on September 2, the gigantic $650 million of American Telephone convertible debentures are being sold via ights to stockholders and several large tax exempt flotations are scheduled for October. In the latter case, of course, there is some question as to what proportion f these loans will actually reach the market, in view of the demonstrated skittishness of municipal borrowers when faced by today's relatively high interest costs.

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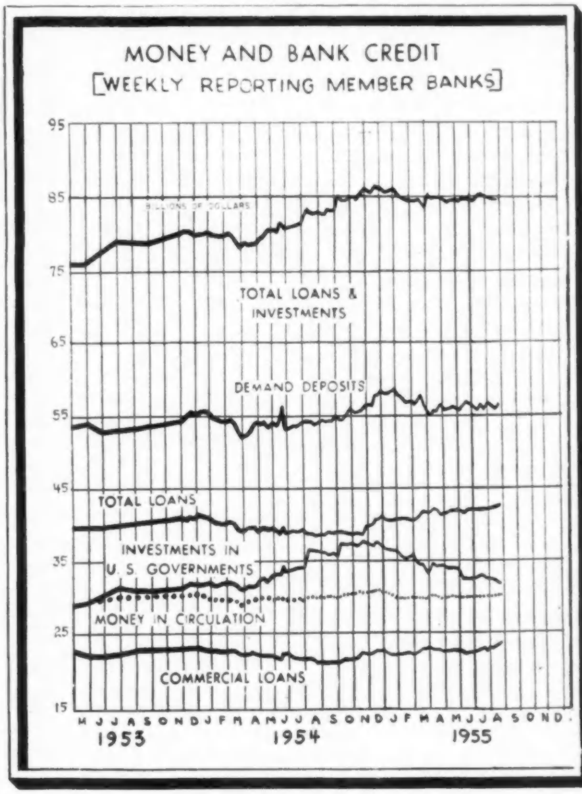
TRADE—Retailers have been topping year-ago figures with monotonous regularity since early 1955 and did it again in the week ending Wednesday, August 31. Dun & Bradstreet estimates that total dollar volume for that week was about 3% ahead of the corresponding 1954 period. Best showing was turned in by the Southwest area with an 8% gain. Demand for Fall clothing boosted sales in that field while interest in household furnishings increased appreciably. Television sets and radios were moving briskly but air conditioners and refrigerators were in lesser demand.



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INDUSTRY—The National Association of Purchasing Agents reports that industrial output in August was at least as high as in July and that order backlogs at the end of the month were above levels reached in the last previous report which covered June conditions. Some purchasing executives expressed concern over the upward price spiral and noted shortages of steel, copper and aluminum. Many companies are ordering more heavily in order to beat price increases and as protection against slower deliveries. (Please turn to following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	July	2.8	3.7	3.0	1.6
Cumulative from mid-1940	July	596.5	593.7	555.2	13.8
FEDERAL GROSS DEBT—$b	Aug. 30	278.2	276.9	275.0	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	Aug. 24	55.7	55.4	54.2	26.1
Currency in Circulation	Aug. 31	30.3	30.3	29.9	10.7
BANK DEBITS—(rb)**					
New York City—$b	July	60.7	62.6	63.1	16.1
343 Other Centers—$b	July	104.9	108.6	95.6	29.0
PERSONAL INCOME—$b (cd2)	June	301.2	301.4	286.7	102
Salaries and Wages	June	208	207	196	99
Proprietors' Incomes	June	48	49	48	23
Interest and Dividends	June	26	26	25	10
Transfer Payments	June	17	18	16	10
(INCOME FROM AGRICULTURE)	June	14	15	15	3
POPULATION—m (e) (cb)	July	165.2	165.0	162.4	133.8
Non-Institutional, Age 14 & Over	July	117.4	117.3	116.2	101.8
Civilian Labor Force	July	67.5	66.7	65.5	55.6
Armed Forces	July	3.0	3.0	3.3	1.6
unemployed	July	2.5	2.7	3.3	3.8
Employed	July	65.0	64.0	62.0	51.8
In Agriculture	July	7.7	7.7	7.5	8.0
Non-Farm	July	57.3	56.3	54.7	43.2
Weekly Hours	July	42.7	41.8	38.4	42.0
EMPLOYEES, Non-Farm—m (lb)	July	49.5	49.5	47.9	37.5
Government	July	6.7	6.9	6.6	4.8
Trade	July	10.6	10.6	10.4	7.9
Factory	July	13.0	13.1	12.2	11.7
Weekly Hours	July	40.3	40.7	39.4	40.4
Hourly Wage ($)	July	1.88	1.87	1.80	77.3
Weekly Wage ($)	July	75.76	76.11	70.92	21.33
PRICES—Wholesale (lb2)	Aug. 30	110.5	110.5	110.5	66.9
Retail (cd)	June	207.8	207.7	209.0	116.2
COST OF LIVING (lb2)	July	114.7	114.4	115.2	65.9
Food	July	112.1	111.3	114.6	65.9
Clothing	July	103.2	103.2	104.0	59.5
Rent	July	130.4	130.4	128.5	89.7
RETAIL TRADE—$b**					
Retail Store Sales (cd)	June	15.3	15.4	14.4	4.7
Durable Goods	June	5.6	5.5	5.0	1.1
Non-Durable Goods	June	9.8	9.9	9.4	3.6
Dep't Store Sales (mrb)	June	0.88	0.89	0.85	0.34
Consumer Credit, End Mo. (rb)	June	32.5	31.6	28.7	9.0
MANUFACTURERS'					
New Orders—$b (cd) Total**	July	26.9	27.8	23.2	14.6
Durable Goods	July	13.4	14.0	11.2	7.1
Non-Durable Goods	July	13.4	13.8	12.1	7.5
Shipments—$b (cd)—Totals**	July	26.8	27.1	21.4	8.3
Durable Goods	July	13.5	13.5	9.4	4.1
Non-Durable Goods	July	13.2	13.6	12.0	4.2
BUSINESS INVENTORIES, End Mo.**					
Total—$b (cd)	June	78.8	78.4	78.7	28.6
Manufacturers'	June	43.8	43.5	44.2	16.4
Wholesalers'	June	11.8	11.8	11.9	4.1
Retailers'	June	23.2	23.0	22.6	8.1
Dept. Store Stocks (mrb)	June	2.5	2.5	2.4	1.1
BUSINESS ACTIVITY—1—pc	Aug. 27	215.9	215.6	189.4	141.8
(M. W. S.)—1—np	Aug. 27	274.2	273.8	235.6	146.5

PRESENT POSITION AND OUTLOOK

(Continued from page 779)

COMMODITIES—The Bureau of Labor Statistics' index of spot prices of 22 leading commodities rose 0.5% in the two weeks ending September 2 to close at 89.6% of the 1947-1949 average. Components of the index to join in the advance included foodstuffs, up 0.4%, industrial materials, 0.6% higher and metals, which added 0.3%. Prices for livestock, textiles and fats and oils were moderately lower during the period.

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New orders for **MACHINE TOOLS** dipped seasonally in July, totaling $63.9 million versus $77.9 million the previous month, the National Machine Tool Builders Association has reported. Shipments fell even more sharply, declining to $44.9 million from the June level of $58.8 million. With shipments under new orders, industry backlogs mounted and it would have taken 5.4 months, at July rates of production, to complete all orders on the books at the month-end. At the end of June, manufacturers had 5.0 months of production work on their order books. Producers are counting on the National Machine Tool Show which opened its doors in Chicago on September 6, to generate a big volume of demand for the new, more efficient tools that are being displayed there.

* * *

BUSINESS FAILURES declined less than seasonally in July as 861 firms closed their doors which compares with 856 casualties a year ago. Dun's Failure Index, which is adjusted for seasonal changes, rose to 42 in July. from 41 the previous month and 40 a year ago. Despite the increase in the number of failing firms over a year ago, **LIABILITIES** of failing firms were lower, declining to $32,543,000 in July versus $41,613,000 in July, 1954.

* * *

EXPORTS from the United States advanced to $1,306 million in June from $1,299 million in May, but were under the June, 1954 total of $1,463 million, according to data compiled by the Census Bureau. The decline from a year ago was occasioned by the drop in shipments under the

and Trends

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—la np (rb)	July	140	139	123	93
Mining	July	122	123	112	87
Durable Goods Mfr.	July	157	155	134	88
Non-Durable Goods Mfr.	July	128	128	114	89
CARLOADINGS—t—Total	Aug. 27	792	781	677	933
Misc. Freight	Aug. 27	382	375	339	379
Mdse. L. C. I.	Aug. 27	63	64	64	66
Grain	Aug. 27	51	53	52	43
ELEC. POWER Output (Kw.H.) m	Aug. 27	10,906	10,812	9,087	3,266
SOFT COAL, Prod. (st) m	Aug. 27	9.7	9.5	7.5	10.8
Cumulative from Jan. 1	Aug. 27	293.1	283.4	242.6	44.6
Stocks, End Mo.	July	68.0	69.5	67.2	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Aug. 26	6.7	6.7	6.1	4.1
Gasoline Stocks	Aug. 26	155	156	154	86
Fuel Oil Stocks	Aug. 26	46	46	56	94
Heating Oil Stocks	Aug. 26	130	125	115	55
LUMBER, Prod.—(bd. ft.) m	Aug. 27	277	275	178	632
Stocks, End Mo. (bd. ft.) b	June	8.7	8.8	9.3	7.9
STEEL INGOT PROD. (st) m	July	9.1	9.7	6.6	7.0
Cumulative from Jan. 1	July	66.3	57.2	50.8	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	Sep. 1	330	265	377	94
Cumulative from Jan. 1	Sep. 1	12,678	12,348	9,726	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Aug. 27	249	237	211	165
Cigarettes, Domestic Sales—b	June	36	34	35	17
Do., Cigars—m	June	510	506	510	543
Do., Manufactured Tobacco (lbs.)m.	June	18	18	18	28

PRESENT POSITION AND OUTLOOK

Mutual Security Program which fell to $128.0 million in the latest month from $359.3 million in June, 1954. The increase in exports from May to June of this year was mainly the result of heavier shipments of wheat, other grains, cotton and dairy products. Exports of trucks, buses and passenger cars were lower but shipments of aircraft parts and accessories were higher. **IMPORTS** into this country in June declined to $943 million, from $959 million in May. There were sizeable decreases in receipts of green coffee, lead, nickel and rubber.

* * *

Corporate **CASH DIVIDEND PAYMENTS** advanced to $669 million in July from $554 million a year ago. This brought the seven month total to $5,301 million, a 10% gain over the corresponding 1954 period. In the first seven months of this year the sharpest improvement in dividend payments over the similar 1954 period was one of almost 25% for transportation equipment. Nonferrous metal company payments rose 16% while chemicals and finance companies paid out 12% more.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cdlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. I—Seasonally adjusted index (1935-9—100). la—Seasonally adj. index (1947-9—100). lb—Labor Bureau. lb2—Labor Bureau (1947-9—100). lb3—Labor Bureau (1935-9—100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb3—Federal Reserve Bank of N. Y.—1941 data is for 274 centers. st—short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

No. of Issues (1925 Cl.—100)	1955 Range High	1955 Range Low	1955 Aug. 26	1955 Sep. 2
300 Combined Average	322.1	282.0	319.1	322.4
4 Agricultural Implements	340.6	264.9	313.5	313.5
3 Air Cond. ('53 Cl.—100)	116.0	97.4	98.6	97.4
10 Aircraft ('27 Cl.—100)	1084.9	871.7	955.1	1001.5
7 Airlines ('27 Cl.—100)	1263.6	971.2	1127.8	1127.8
4 Aluminum ('53 Cl.—100)	336.9	191.1	332.9	336.9H
7 Amusements	180.6	147.0	172.6	175.8
9 Automobile Accessories	362.3	308.3	346.4	355.9
6 Automobiles	54.4	44.3	51.6	53.0
4 Baking ('26 Cl.—100)	30.6	27.8	29.8	30.6H
3 Business Machines	930.6	657.4	830.9	844.2
6 Chemicals	564.9	466.6	550.1	564.9
3 Coal Mining	20.3	14.8	19.6	20.3H
4 Communications	116.6	103.9	108.1	111.3
9 Construction	122.9	106.4	120.7	121.8
7 Containers	747.7	675.1	711.4	718.6
7 Copper Mining	333.4	222.2	333.4	326.4
2 Dairy Products	127.0	117.6	122.3	123.5
6 Department Stores	96.2	80.0	93.7	96.2
5 Drugs-Eth. ('53 Cl.—100)	151.2	129.6	149.9	149.9
6 Elec. Eqp. ('53 Cl.—100)	174.7	156.0	166.9	165.4
2 Finance Companies	651.1	577.3	632.6	626.5
6 Food Brands	300.6	266.6	282.3	284.9
3 Food Stores	160.8	137.7	155.0	160.8H

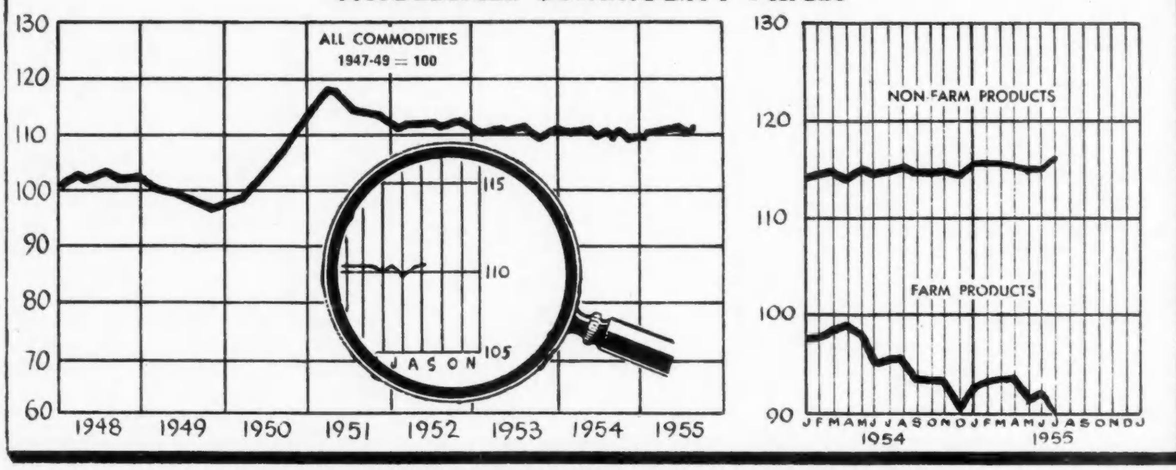
(Nov. 14, 1936 Cl.—100)	High	Low	1955 Aug. 26	1955 Sep. 2
100 High Priced Stocks	210.9	180.6	208.5	211.6
100 Low Priced Stocks	387.5	343.5	381.9	384.8
4 Gold Mining	806.0	649.1	656.2	649.1L
4 Investment Trusts	157.1	143.8	154.1	154.1
3 Liquor ('27 Cl.—100)	1101.7	961.3	1036.9	1101.7H
9 Machinery	395.8	317.7	346.9	346.9
3 Mail Order	204.9	159.3	200.0	201.6
4 Meat Packing	134.4	112.8	121.2	126.0
5 Metal Fabr. ('53 Cl.—100)	183.7	155.9	170.6	173.8
10 Metals, Miscellaneous	448.6	358.2	448.6	437.8
4 Paper	1009.4	767.1	977.1	993.2
22 Petroleum	674.2	590.0	656.2	662.2
22 Public Utilities	256.2	234.8	253.8	256.2
7 Railroad Equipment	88.4	73.4	83.9	83.9
20 Railroads	77.9	64.7	74.6	74.6
3 Soft Drinks	565.7	459.9	542.7	547.3
11 Steel & Iron	300.6	219.2	291.5	300.6H
4 Sugar	68.8	56.1	61.8	61.3
2 Sulphur	955.7	813.2	905.4	938.9
10 Television ('27 Cl.—100)	47.3	40.7	43.6	44.0
5 Textiles	187.4	148.4	176.9	178.4
3 Tires & Rubber	165.3	137.8	153.7	161.0
5 Tobacco	91.4	81.9	90.5	91.4H
2 Variety Stores	315.0	286.9	296.3	296.3
15 Unclassif'd ('49 Cl.—100)	158.1	146.3	152.2	152.2

H—New High for 1955. L—New Low for 1955.

Trend of Commodities

Commodity futures prices were generally higher in the two weeks ending September 6, although cotton and hides registered declines in the face of advances elsewhere. The Dow-Jones Commodity Futures Index added 1.27 points in the period under review, to close at 154.23, and at this level the index was 3½ points above the year's low, set in mid-August. December wheat was up 2 cents in the fortnight to close at 199¼. Although world wheat production is expected to approach record levels this season, our Government's support program is expected to insulate domestic prices from the full effects of this development. Impoundings under the loan got off to a slow start in the period through July 15, with entries considerably under the corresponding 1954 period. However, since that date, the farm price of wheat has declined some 10 cents a bushel, narrowing the spread between the loan and open market rates and this should induce farmers to make greater use of the loan. December corn gained 1 cent in the two weeks ending September 6 to close at 128½. This future had been as high as 131½ on August 26, but subsequent reports of drought relief and more equable temperatures brought liquidating pressure. Current prices are far below CCC loan levels but the huge carryover and Government sales of corn for export are restraining the bullish contingent. December cotton lost 23 points in the period under review to close at 33.54 cents. The downward trend was persistent despite recent hurricane damage in some sections and reports of mounting boll weevil infestation. Administration plans to reduce the Government-owned surplus are still uncertain and exports so far this season are some 40% behind a year ago.

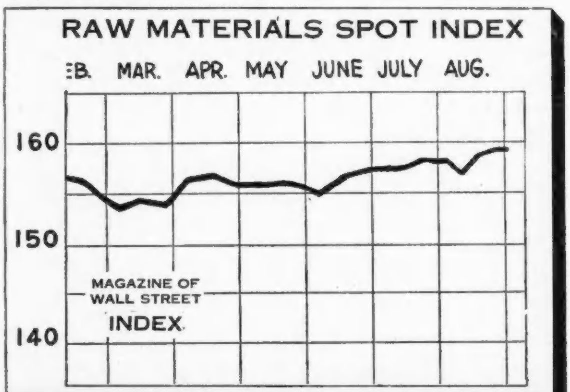
WHOLESALE COMMODITY PRICES



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices — 1947-1949, equals 100

	Date Sept. 2	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
22 Commodity Index	89.6	89.2	88.8	90.7	53.0
9 Foodstuffs	79.4	79.1	86.0	97.5	46.5
3 Raw Industrial	97.3	96.8	90.6	86.2	58.3

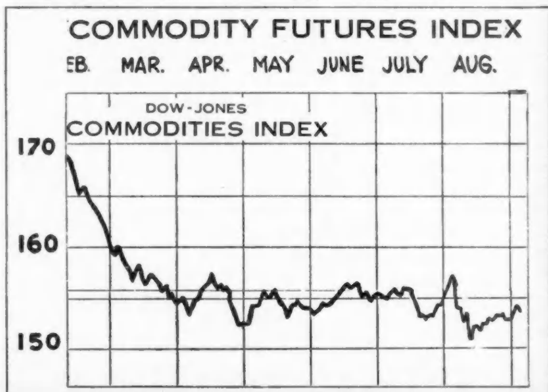
	Date Sept. 2	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
5 Metals	117.4	116.1	106.1	95.5	54.6
4 Textiles	79.3	80.8	84.2	87.9	56.3
4 Fats & Oils	62.7	63.6	64.8	71.3	55.6



14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1955	1954	1953	1951	1945	1941	1938	1937
High	159.1	154.4	162.2	215.4	111.7	88.9	57.7	86.6
Low	153.6	147.8	147.9	176.4	98.6	58.2	47.3	54.6



Average 1924-26 equals 100

	1955	1954	1953	1951	1945	1941	1938	1937
High	173.6	183.7	166.5	214.5	95.8	74.3	65.8	93.8
Low	150.8	167.3	153.8	174.8	83.6	58.7	57.5	64.7

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

American Gas & Electric Co.

"I am seeking an investment in a good-grade utility that yields a fair income return and where long-term prospects are favorable. Would American Gas & Electricity qualify?"

B. T., Chester, Pa.

American Gas & Electric System serves a highly industrialized area. The territory served has achieved above-average growth in industry and population, which has resulted in greater demands for power. This growth is expected to continue over the longer term. New plants under construction further increase operating margins. This stock yields a satisfactory income return and the shares qualify as a sound investment for the long term.

Earnings of American Gas & Electric Co. for the twelve months ended July 31st, 1955 were $36,313,000 against $30,444,000 a year ago — a 19.3% increase. Earnings per share of common stock, based on an average of 12,842,443 outstanding, were $2.83, compared with $2.37 on 12,847,395 shares during the same period a year ago.

The company's seven-months earnings increased 21.8% from $18,098,000 in 1954 to $22,052,000 this year. July net was $2,718,000, a gain of 22.9% over last year's $2,212,000.

American Gas & Electric System Companies may be headed for a record year in the sale of home appliances and the addition of new commercial and industrial business if the figures for the first six months of this year are an indication. The company reports the sale of 61,267 units (electric ranges, water heaters and dryers) during the first six months, or over 7,000 more units than were sold in the first half of 1953 when the record sale of 137,456 units was set.

In promotion of commercial and industrial use of electric energy on the System AGE has added during the first six months 101,104 KW of new commercial and industrial load (lighting, cooking, heating and air conditioning). This represents an increase of 35.8% over the first six months of 1954—the previous record year.

The use of electric energy in homes on the 7-state AGE system is at its highest peak in history. In the past eight years average residential usage on the system has increased 109% and the non-residential customers increased 56%. During the same period, however, average cost to the residential customer dropped 31%.

Average residential usage during the eight-year period increased from 1308 to 2745 KWH, number of residential customers went from 741,585 to 1,157,594 while cost of the residential customer declined from 3.3¢ to 2.51¢ per KWH.

The current quarterly dividend is 45¢ per share.

Subsidiaries of the system serve more than 2300 communities in parts of Michigan, Indiana, Ohio, Kentucky, West Virginia, Virginia and Tennessee.

Pepperell Manufacturing Co.

"Please furnish information on Pepperell Manufacturing Co. as to its principal products, working capital position, earnings and outlook."

H. N., Bridgeport, Conn.

Pepperell Manufacturing Co. is one of the longest established textile manufacturers. It has paid consecutive dividends since 1852. Pepperell manufactures sheets, blankets, apparel fabrics, crib blankets, rayon goods, shoe fabrics and a wide variety of textiles.

For the fiscal year ended June 30, 1955, sales of goods and services amounted to $84,688,171, with net income after taxes of $1,885,755, equal to $3.88 a share on 486,155 shares of common stock outstanding. This compares with sales of $85,290,188, and net income of $2,387,345, equal to $4.91 a share on the same number of shares a year ago. The company paid dividends totaling $4.00 during the fiscal year, the 104th consecutive year of dividend payments.

The lower earnings during the last fiscal year were due principally to low selling prices of company's products and to the cost of the textile strike, which hit New England mills in the last spring, continuing for 13 weeks. The strike began on April 15th when Pepperell's group of New England mills, as a whole, were not operating at a profit. The strike settlement on July 18th, which provided for minor concessions in fringe benefits gave no appreciable relief, although company hopes an improved load clause will enable Pepperell to lower manufacturing costs.

The comany's recent backlog of orders was 50% greater than at the same time a year ago and nearby prospects appear favorable.

Varied Outlook for Chemicals - Drugs

(*Continued from page* 763)

readily absorb all increased production of polyethylene.

Vigorous growth tendencies that have characterized the industry's enviable record have been as apparent this year as ever. Although a discussion such as this must concentrate on prospects rather than on past performance, it is well to note that virtually all types of chemical producers have been experiencing unusually satisfactory results this year. The high rate of output in the automotive and steel industries, accounting in part for urgent demand for metals, exerted a powerful influence on consumption of sulphuric acid and industrial gases of many kinds. In view of forecasts of a continued uptrend in demand for consumer goods, it would seem reasonable to project prolongation of favorable output figures over the last half of the year. Trade authorities are estimating a new high record in chemical sales with an increase of almost 15 per cent over 1954. Recent upward revision of prices by leading producers of heavy chemicals points to maintenance of satisfactory margins despite keen competition in some areas.

Profits are expected to register outstanding improvement. As in most other industries, large volume brings about operating economies that carry through to net income. Moreover, among chemical manufacturers numerous new facilities have been put into use this year to lower production costs. Although starting up expenses and accelerated amortization in some cases have tended to reduce profits subject to federal income taxes, cash flow has enlarged impressively. On the average, margins appear likely to range well above figures reported for 1954. Gains of from 10 to 12 per cent are anticipated for leading processors.

Although increases in net income may be relatively smaller for 1955 over 1954 than a year earlier, when elimination of excess profits taxes resulted in wide recoveries over 1953 for numerous concerns, nevertheless actual improvement in sales and earnings this year seems destined to be worth more to stockholders than a year earlier. Larger dividends seem assured for 1956, for it is evident that cash income is headed for greater improvement over last year than profit subject to taxes, thereby enabling managements to adopt a more liberal dividend policy where expansion programs are being completed.

Institutional Investments in Chemicals

Since the chemical industry offers such attraction for investors, it is little wonder that representative stocks have proved popular with institutional investors and that the industry has attracted capital for various new processes.

Creation of new concerns is more than usually difficult, for large amounts of capital are required for delicate and intricate equipment. Aggressive research threatens in some instances to render almost obsolete some types of productive facilities almost before they are completed. Hence, small concerns seldom can afford to assume abnormal risks in development of new products. The large, strongly financed concerns are best able to keep abreast of the fast developing techniques. Competition is keen, placing a premium on operating efficiency.

In appraising the outlook for chemical concerns, the accompanying tabulations and thumbnail comments should prove useful. *It may be noted that most issues have registered substantial price appreciation in responding to the widespread demand for institutional portfolios and that yields remain comparatively low.* One thought that may be kept in view in studying individual stocks is the strong conviction of the trade that in less than a decade probably more than half of chemical manufactures may be derived from a petroleum base. Thus major oil producers appear destined to play an important role in the growth of chemicals.

Outlook for Drug Manufacturers

Before closing this discussion, it may be well to set forth some brief observations on ethical drug producers which are so closely identified with chemicals. Stocks of major representatives of this industry also have commanded the respect of informed security buyers because of their underlying growth potentialities. The fine showing of ethical drug producers follows the same pattern as that of chemical manufacturers. Here too the research laboratory has played a vital role in bringing forth new products with which to stimulate sales.

Major drug companies have discovered and brought to market an exceptional array of antibiotics and other curatives with which to combat all kinds of ailments. As a result, sales have tended to exceed normal expectations. As a rule, consumption of drugs tends to coincide with the spread and extent of disease instead of with general economic conditions. Increased expenditures for so-called wonder drugs have contributed to larger sales than usual.

New products ordinarily command wide profit margins in their early market stages, but as similar antibiotics, for example, are introduced by other makers and competition increases, margins tend to become narrower. Thus it is important for aggressive manufacturers to strive continually for new products that can contribute substantial volume as well as attractive margins. As one case in point, the Salk polio vaccine produced by six pharmaceutical companies appears likely to develop large volume. Liberal margins commensurate with the extensive costs of development are expected to prevail for a time. New medicines designed especially for treatment of hypertension, mental ailments and arthritis are being introduced in increasing volume. They promise to contribute significantly to profits.

The rapid increase in population among men and women in their sixties and seventies is opening a large market for new medical products. Widespread adoption of retirement plans in industrial plants, encouraging withdrawal from the working forces, tends to enlarge the number of persons living on pensions who probably are more careful of their health than if they were burdened with cares of a workaday life. In any event, the drug industry is finding among elderly persons an extensive market that previously had not been too important.

Sales improvement this year has been attributed in part to i

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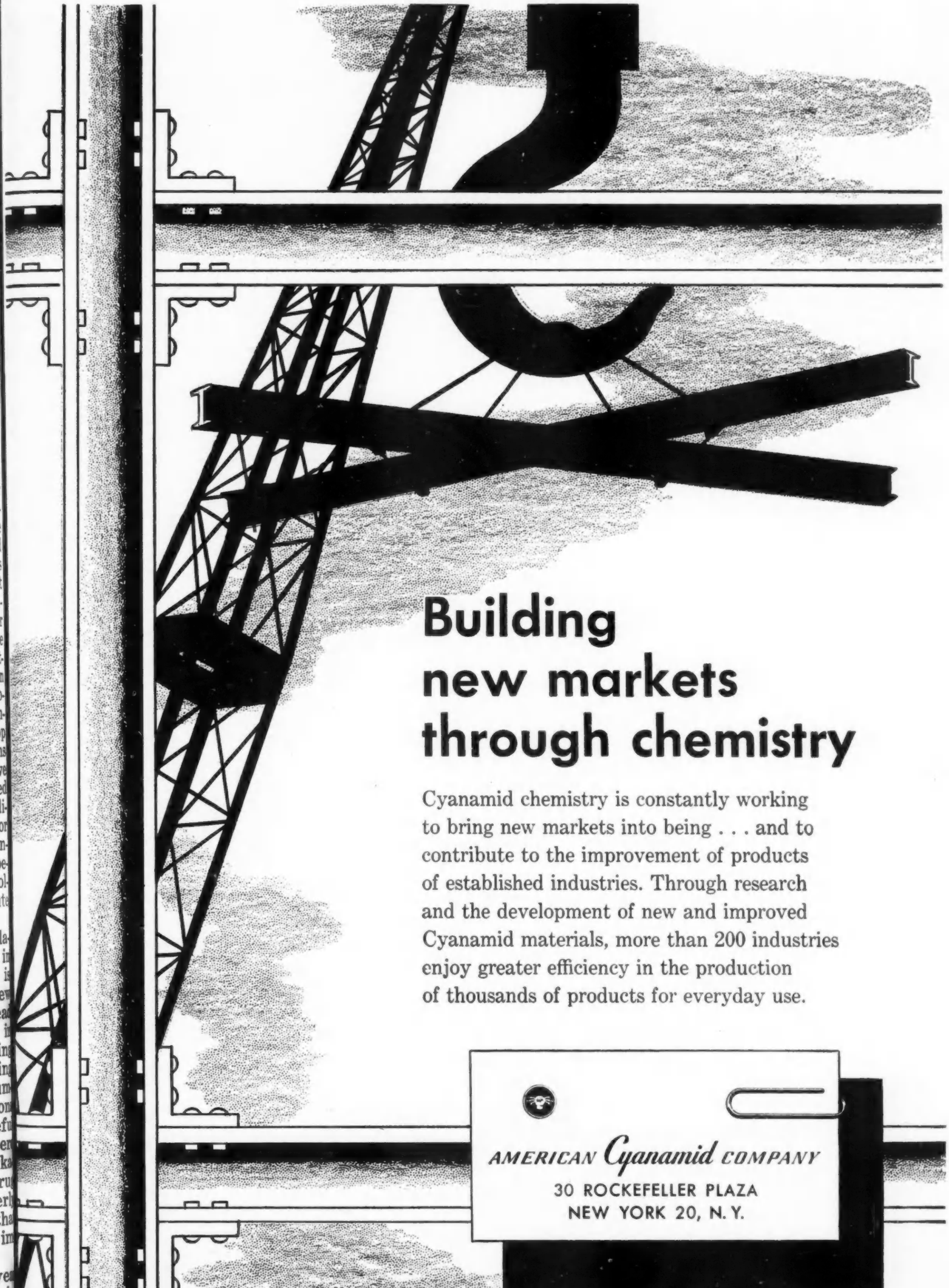
Building new markets through chemistry
Cyanamid chemistry is constantly working to bring new markets into being . . . and to contribute to the improvement of products of established industries. Through research and the development of new and improved Cyanamid materials, more than 200 industries enjoy greater efficiency in the production of thousands of products for everyday use.
AMERICAN Cyanamid COMPANY
30 ROCKEFELLER PLAZA
NEW YORK 20, N. Y.

Varied Outlook for Chemicals - Drugs

(*Continued from page* 784)

troduction of new products and to normal forward buying of pharmaceuticals in contrast with a period last year when retailers let stocks run low in anticipation of reduction in prices in line with some markdowns in raw materials. Moreover, operating economies have been introduced in the last twelve months in response to the search for better margins. Another stimulating factor has been the strong recovery in business in Europe and elsewhere overseas. The foreign market is important for many leading producers of ethical drugs.

A period of steady progress appears in prospect for the drug industry, which has encountered problems of overproduction and vanishing profit margins in some new medicines as competition has intensified. Manufacturers have learned many lessons in recent years and it would seem likely that the industry is destined to experience a measure of stability and sustained growth. —END.

Paper Tears Up Records

(*Continued from page* 771)

new products and uses, the improvement of manufacturing techniques, and the greater utilization of both the fiber and the by-product content of wood. One research project successfully completed in 1954 was the development of a new high-tenacity dissolving pulp. This new pulp, designed for rayon tire cord and other industrial uses, already has received wide acceptance by industry and is in full-scale output.

Scott Paper Co. probably is unsurpassed on the research front, which also may explain why it is the only company (in an industry famed for its cycles) that qualifies as a high-grade investment equity. Its research activities include process techniques for improving quality and lowering costs. Application of electronic devices to production equipment is explored. Studies of the various phases of paper-machine operation and design are made with the objective of attaining higher operating speeds and consequently increased production per dollar of capital invested. Returns from endeavors of this type already have been sufficiently rewarding to prompt the company to increase substantially its expenditures in the research field.

The Merger Trend

While the paper companies have gone ahead considerably in the postwar decade and achieved greater stability (demonstrated in the minor business decline of 1954), there is a great deal of nervousness on the part of many executives and a casting about for properties that offer diversification, increases in the product mix and a greater measure of integration. Here, in the most prosperous of industries, the merger trend bobs up as frequently as in the depressed textile and rail-equipment fields.

Thus, last year marked the fortieth consecutive year of dividend payments on Scott common stock, the greatest increase in production capacity, sales and net profit. It also marked, however, the acquisition, through an exchange of shares, of Detroit Sulphite Pulp & Paper Co., which included an integrated pulp and paper mill in Detroit, equipped with six paper machines and pulp production facilities, as well as more than 65,000 acres of Canadian timberland. Scott also bought a 20% interest in Westminister Paper Co., Ltd., a leading Canadian producer of a line of paper products similar to Scott trade-marked paper products. Hollingsworth & Whitney also was merged into Scott through an exchange of shares, for which the company obtained integrated pulp and paper plants along with some million acres of timberland in Dixie, Maine and Canada.

One of the king-size mergers in the industry is about to take place, with *Kimberly-Clark Corp.*, an integrated manufacturer and marketer of paper products and cellulose wadding, gobbling up International Cellucotton Products Co., whose principal products are Kotex sanitary napkins, Kleenex cleansing tissues and Delsey toilet tissues. These companies long have been closely linked as I. C. P. purchases all the cellulose wadding products it sells in the U. S. from K-C. In fact, K-C spawned the company it now is absorbing, but distributed the I. C. P. stock to its shareholders in 1927 as a dividend. Increased efficiencies and economies are expected to flow from the rejoining of the companies.

St. Regis Paper Co., from which the big one got away, seems bent this year on making up for it by acquiring a handful of smaller companies. The big one, of course, is *Gaylord Container Corp.*, which was linked with St. Regis in the rumor marts early this year. It now appears that Gaylord will be gobbled up by *Crown Zellerbach*. Meanwhile, St. Regis has contented itself this year with acquiring Michigan Molded Plastics, Inc., Pollack Paper Corp. of Dallas, General Container Corp. and smaller fry.

Reports that Gaylord would be merged into St. Regis met with "no comment" from both companies, a tipoff that talks were underway. However, the talks actually involved Gaylord and Crown Zellerbach. Plans call for Gaylord shareholders to receive Crown Zellerbach stock in exchange for their present holdings. C. Z. has a long and successful history as one of the leading producers of many kinds of paper products. It has extensive forestry holdings, pulp and paper-mill operations and converting plants on the West Coast and in Canada. It makes a widely diversified line of paper products for nearly all phases of printing, publishing, packaging, household and consumer uses. Sales last year approximated $300 million. Gaylord, on the other hand, is a topnotch paper-packaging manufacturer, best known in the area east of the Rockies. Gaylord sales should contribute on the order of $90 million. Sales last year were well over $87 million. Putting together the two should be complementary and make for a national well-integrated entity.

The Bowater Story

One of the outstanding developments in the paper industry is the emergence of *Bowater Paper Corp., Ltd.*, a British company that has taken shape in the last 30 years. Its biggest single product is newsprint, but it also is a factor in such varied fields as printing papers, building boards and packaging materials. Bowater last year built a $60 million

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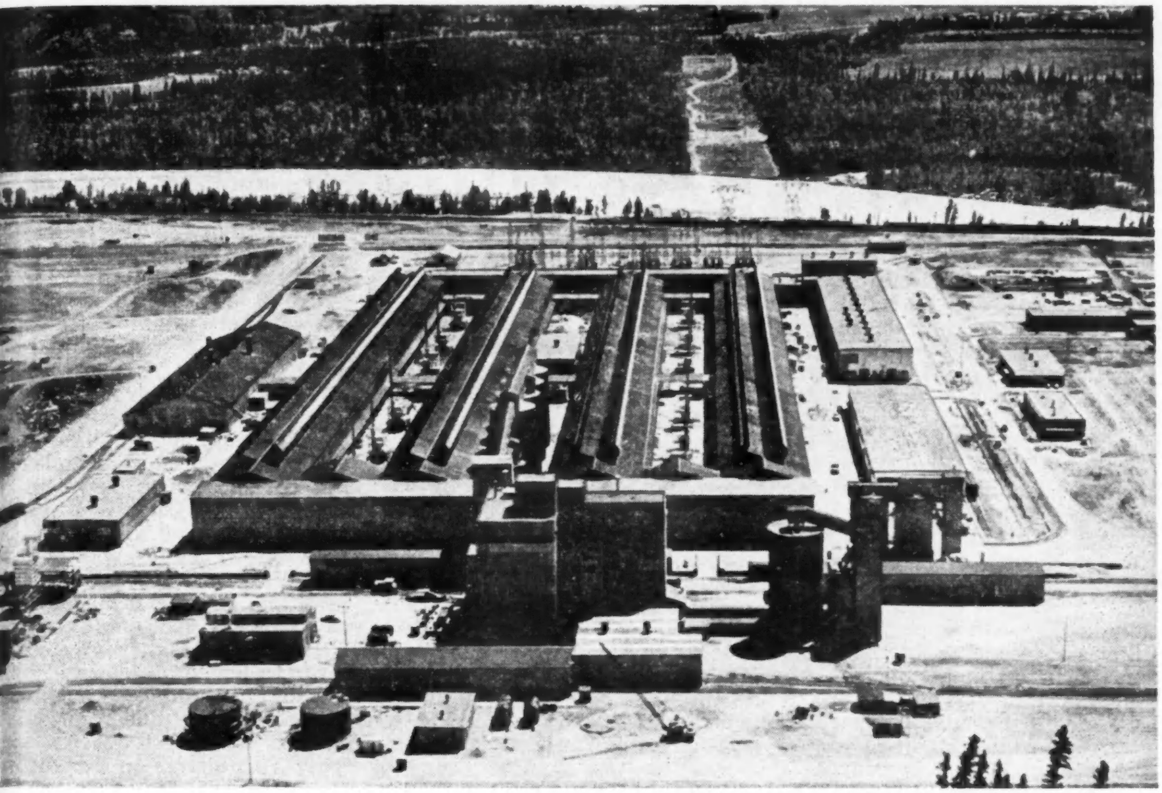

Paper Tears Up Records

(*Continued from page* 786)

plant at Calhoun, Tenn., the largest British investment in the United States for many years past. Management foresight behind the planning of the new facilities may be summed up in one fact; The entire output for the next 15 years already was sold to publishers of Dixie newspapers under long-term contracts before a single wheel turned. These publishers, for the most part, had drawn their supplies hitherto from Bowater's Canadian mills. Bowater is planning additional expansion, here and in Britain. All Bowater's subsidiaries operated at capacity last year and the high level of production and sales continued into this year. The Tennessee mills last year brought in $2.5 million above operating expenses of firm, an amount sufficient to cover depreciation and interest charges with a small balance to spare, although facilities only came into production in midyear. Considerable American loan capital has gone into Bowater and there has been growing interest in the shares of the company. It would not be surprising if control one day were to cross Atlantic.

Americans Look Overseas

American paper producers also have looked to foreign markets, viewing the tremendous potential in regions where the standard of life only now is beginning to rise. Frequently, the great discrepancy between per-capita consumption here and certain other countries is cited as justification for the expectation of great increases in total world consumption. Americans reason that our per-capita consumption is 20 times that of the rest of the world's 20 pounds. An increase of one pound per capita in the rest of the world would not be asking much, but it would mean a million tons.

Benefits to American producers, however, are certain to remain on the lean side for many years to come, regardless of the rising demand abroad for paper because of the lack of dollars in those countries. Many of these countries, particularly the Latin Americans, have turned to such non-wood fibers as bagasse and straw. Bagasse, the residue of sugar cane, now is used as fuel in the mills and, economics aside, its use in paper production eases the dollar needs of many countries. In countries suffering from a dearth of dollars the United States producer may find it advantageous in the long run to buy or build a mill on the site and export "know-how" along with capital to run the mill. Thus, he would be building up the country and avoiding a strain on foreign exchange. West Virginia Pulp and Paper Co. already is doing this in Brazil and results are satisfactory.

More Facilities Needed

Regardless of the possibilities of export trade, the domestic industry is going to need to increase its production facilities over 1954 by at least 7 million tons of paper and board by 1960. There is a good prospect of further capacity needs if the export possibilities can be capitalized, which depends on an easing of foreign exchange.

By every measurement, paper is a growth industry made up largely of companies that are enjoying unprecedented well-being. The investor, however, must recognize that this group has outdistanced every other industrial category in the marketplace. Yields, with a single exception, range from less than 5% to 2.6%. They would appear to have discounted a good deal of the prosperity they now are having and much that lays ahead. The comments attached to the accompanying tables give the position and general outlook for each of the companies. —END

New Uses For Old Metals

(*Continued from page* 773)

price which would add substantially to Chile's copper revenues. The move was made at a time when the American price prevailed around 36 cents as compared to about 42 cents on the London Metal Exchange. By advancing the price here so that it is more in line with that prevailing in western Europe, domestic producers have taken a step that should result in this ruling being rescinded, permitting more Chilean copper to come into this country. Increased shipments into the U. S., from Chile, the world's third largest copper producer, would help considerably in alleviating the copper shortage here and aid in stabilizing the domestic market.

It is generally accepted that the leading copper producers here have been reluctant to boost the price of their product to a point where they would price themselves out of certain markets forcing some consumers to resort to lower-priced substitute materials. On the other hand, recent developments point up the fallacy of domestic producers endeavoring to hold prices down in the face of rising prices in European markets. For instance, at one time within the last month or so the differential between European and American markets was as much as 10 cents a pound. Naturally, the higher price abroad diverted much of overseas production, including a substantial portion of the Chilean output, to London and other foreign markets. This diversion has proved an important factor in holding down supply in this country which consumes about 60% of the world's copper production with the supply situation here becoming more acute as a result of the recent mine and mill workers' strike.

Copper scarcity is apt to drive consumers to substitute materials more readily than a comparatively high price for the metal. This would prove no advantage, moreover, in countless instances there is no satisfactory substitute for copper. Under present conditions availability of the metal appears to be more important than price so far as a number of fabricators are concerned. However, with domestic production, as expected back to normal within the next few weeks, there should be some easing of the present tight supply situation but not enough to eliminate the necessity for consumers to still scramble to get enough to meet their needs.

Assuming, for the sake of conservatism, that domestic copper price will not go above the current 43-cent level, there is no indication at this time that there will be any weakening in the price. With a ready market for every pound of copper that c

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What's Ahead For Oils?

(*Continued from page* 767)

Expenditures for these purposes last year by domestic oil companies amounted to approximately $5 billion 350 million of which about 70% went for production facilities, exploration and drilling. About $800 million was spent for refining and other facilities and $700 million was spent in the marketing and transportation branches of the business. Expenditures in 1955 will probably be at a record high of around $6 billion, the greatest portion of which will again go for exploration, drilling and more production facilities. It is estimated that about $4 billion 200 million will be spent on these objectives, or about $400 million more than in 1954. Part of this increase will represent the greater cost, possibly as much as 10%, for drilling due to increased wage scales and higher prices of contractors' drilling equipment, although this can be partially offset by advanced drilling techniques permitting more penetration in less time. Then again, drilling offshore in the Gulf of Mexico, now getting into high gear, is more expensive.

With the present tax laws favoring companies seeking oil and the tremendous possibilities of building reserves through the indicated rich crude oil reserves in the Gulf tidelands, drilling activity in the area is expected to further expand. A year ago, estimates placed the amount of crude oil underneath the Gulf at 12 billion barrels, but it is now believed that this is but a fraction of the total, it being impossible, at the same time, to estimate the amount of natural gas.

Earnings of the major oil companies for 1955, as indicated by first half-year results, will run ahead of 1954, and the industry should enter 1956 with good prospects. While heavy capital outlays are continuing, it is likely that at least moderate dividend increases or year-end extras will be declared by some of the leaders in the industry. Although such action would improve current yields, the primary attraction for holding representative oil issues continues to be their long-term growth potentials. —END.

New Uses For Old Metals

(*Continued from page* 788)

be produced, the final three months of 1955 should prove highly profitable for the domestic copper producers with earnings surpassing either quarter of the first half-year during which the top price for their output was 36 cents a pound. Third quarter earnings for those companies which experienced shutdowns through most of July and in some cases into the early weeks of August, will undoubtedly appear poor by comparison but full year profits of the leading domestic copper producers are indicated at a level that should make gratifying news to those holding the shares of these companies. With conditions at the year-end holding out prospects that industrial activity will continue at a high level through 1956, it is reasonable to believe that more than one of the domestic copper producers will consider an increase in their regular dividend payments or to the distribution of a year-end extra.

Aluminum

Copper is not the only metal in short supply. At the beginning of the current quarter of this year it was estimated that total aluminum demand, including requirements for export, in the three months to the end of September, would be approximately one billion 150 million pounds. At the same time the total supply of aluminum that would be available to domestic users during the same period would be one billion 114 million pounds, meaning that actual supplies were about 36 million pounds under users' requirements. Without an estimated 200 million pounds of secondary aluminum processed from scrap and imports of roughly 128 million pounds, principally from Canada, the shortage would have run as high as 364 million pounds inasmuch as domestic primary production for the quarter was put at 786 million pounds. To help in the situation the Government earmarked 200 million pounds for diversion from shipments to its stockpile during three months period.

Although part of the increasing aluminum demand is no doubt due to the copper shortage, the market for the metal is feeding upon the increasing use of aluminum in the manufacture of what may be termed standard products and the growing demand for the metal in numerous other fields in castings, extrusions and other forms, as witness its rapid rise in popularity in the building industry. Leading manufacturers of primary aluminum are anticipating a continuance of growth and are making preparations for this by expanding production facilities. Alcoa (Aluminum Co. of America), Reynolds Metals and Kaiser Aluminum & Chemical, without waiting for Government plans for another round of expansion of the industry, are moving forward to add to capacity. Alcoa for example, is preparing to expand two of its plants to give it 65,000 tons more capacity without asking Washington for the benefits of "certificates of necessity". Reynolds Metals in addition to a new smelting plant located in Kentucky scheduled to have an output of 100,000 tons of the metal, will add facilities to two existing plants, bringing their output up by another 35,000 tons. This, together with the 100,000 tons from the new Kentucky plant, will increase Reynold's capacity by 135,000 tons, or a third more than it is capable of producing at this time. Reynolds will ask the Government for certificates permitting it to write these new facilities off under fast amortization. Kaiser, already building a new rolling mill and expanding its Tacoma plants by 5,300 tons, is understood to be planning the additional facilities elsewhere that will add 90,000 tons to its present primary aluminum capacity.

One of the newest names to be added to roles of aluminum producers is Anaconda Aluminum Co., the 95% owned subsidiary of Anaconda Company. Operation at its new $65 million primary aluminum plant got under way last month and when in full operation will be capable of producing 120,000 tons of alumina a year.

Anaconda's entry into the aluminum field, the first newcomer since 1946, will probably be followed by others who are being attracted by the potential of a growing aluminum demand. Revere Copper & Brass has an application on file with the ODM

or certificates of necessity for a 53 million plant with a 60,000 on capacity it plans to build at Venatchee, Wash. Olin Mathieson Chemical Corp., is already in ossession of such a certificate overing a 60,000 ton primary luminum plant, but as yet has iven no indication of its plans.

At the present time, however, he principal question confronting holders of shares of companies stablished in the primary aluminum production field is whether hese issues at recent high prices ave fully discounted the immeiate growth prospects. For those ho bought these stocks at conderably lower prices for capital ains, it might prove profitable to ll at least part of total holdings, taining the remainder for furer growth over the longer term. hose who made their commitents in the issues as long term vestments should maintain their sitions, although they should be repared to witness possible price rations from time to time which evelop in conformity with the neral market. In view of exnding earnings of all the major oducers in the industry, earngs should be maintained with e possibility that current modest yments by some of them by mparison with indicated 1955 rnings might be increased, oderately at least.

Other Non-Ferrous Metals

Strong demand for copper and uminum is matched by practilly all other non-ferrous metals. ead quoted at 15 cents at the art of the year has held tenaciısly to that price which comres with a 1954 low of 12½ nts a pound. The steady tone of e lead market over the past ght months makes it evident at consumption and supply has en in balance and while there at present no indication of this sition being disturbed, current ice should hold steady, especial- if the automotive industry aintains operations through the mainder of the year at a fairly gh level. Much the same statent is applicable to the market r zinc which on the basis of st half-year output and conmption is headed for a record ar in 1955. From a price of 9¼ nts a pound last year, zinc ices moved up to current level 12½ cents. With producers' ocks reduced by industrial deand to about two weeks' shipents at last reports and with consumption continuing at a high rate, it is conceivable that another rise in price is immediately possible. The high state of prosperity among the non-ferrous metal producing companies is quite evident in the materially improved earnings for the 1955 first half-year over the corresponding months of 1954. The second half-year should prove equally as good, with the likelihood that some regular dividends will be increased and others supplemented by extra distributions.

—END

Sound Investment Policy in a Changing Market

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estate, they should not be sold by the investor if he is prepared to accept the hazards of a major reaction in the market. This advice is particularly directed to the investor whose concern at this stage is with income primarily, and who is deriving a good return on his total investment by virtue of the fact that his income over the years has increased as dividends increased.

Investors with similarly large profits and who are not especially concerned with the yield, but who wish to mark down part of their original costs to low figures could conceivably take part profits but they must consider that a 25% capital gains tax must be paid on such profits. In the event holdings are disposed of they should, under no circumstances, be reinvested which would be self-defeating as the objective of reducing the commitments is obviously to reduce risks. Therefore, to replace these proved investments with others which might not work out so well would hardly be a logical step. Funds thus accrued therefor, should be placed temporarily in short-term issues.

2) Investors with Mixed Holdings

The advice given above would apply generally to investors who have mixed holdings in investment and speculative issues but specified insofar as their investment issues only are concerned. Generally speaking, these issues should not be disposed of in toto, even where the individual is more

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BOOK REVIEW

The Queen's Knight

By MARVIN BOROWSKY

Fertile Britain was in chaos. Bloodshed, torture, ruin lay over the land, and across the Northern Wall the barbarian Picts and Scots waited expectantly. The new king, Arthur, who had pulled the sword from the anvil when no other man could, was about to come to the throne.

Arthur's bride, the new queen Guinivere. young and beautiful, was no sooner wed to him than she turned from his uncouth embrace to the waiting arms of gay Sir Launcelot, a knight born to lead men and captivate women.

Swirling around these three were the powerful lords of the Council—Mordred, John Harrow, Clarence, Uriens, and their wily adviser Merlin — who had ruled Britain tyrannically and hoped to maintain control behind the puppet-king they had created only to quiet the growing unrest in the land. But Launcelot, whom they feared and respected, had to be won over.

Plots and counterplots, jousts and battles, love and treachery, all these intermingle in the flamboyant, pulse-pounding pages of this panoramic novel. Based on the unforgettable stories of King Arthur and his Round Table, it is a heroic tale of valor and never-ending passion, in which legend and history are skillfully interwoven.

Random House $3.95

Appraisers' Handbook

The American Society of Appraisers has brought out its 1955 "Appraisal and Valuation Manual," a 445-page volume that comprises the combined know-how and cumulative experiences of experts who cover a wide range of appraisal situations. Contents include such fields as real estate, architecture, building, public works, engineering, insurance, accounting, law, taxes and assessments, to cite but a few. For those to whom it is important to have access to an authoritative basic source of the varied phases of valuation and appraisals, this book is highly invaluable.

Promotion Press Price $15

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deeply interested in appreciation rather than strictly investment considerations. He may, however, consider acceptance of part profits on issues which have had prolonged advances. His attitude should be quite different on the more speculative portion of these holdings. These should be gone over with a fine-tooth comb and substantially reduced, particularly stocks which have given a poor performance in the past year and which, accordingly would appear to represent companies that have not been able to make much progress in a period of general prosperity. On stocks with a speculative flavor, but which have advanced substantially, it would be desirable to mark down costs. Generally speaking, it would be desirable for this class of investors to utilize cash received from the sale of stock for short-term investment, but if this is not suited to the needs of the investor, we have listed in the accompanying table 30 stocks which could make suitable replacements for the more speculative issues disposed of. Each of the 30 represents a company in a strong position and most of them possess the virtue of being relatively reasonably priced, though a few have had rather substantial advances in the past year or two.

3) Latecomers in the Market

A number of new investors have entered the market in the past year, many of them in recent months. Most of the investments they have made in this period have necessarily been at the high prices prevailing. Consequently, there has not been sufficient time for these individuals to accumulate large profits, particularly in the best class of stocks, as this group has more or less been held back in recent months, not a surprise in view of their high price. In some cases, investors who bought these issues "at the top" have losses. In view of the potentially vulnerable position of the market the position of these investors cannot be considered too satisfactory. It would seem that it would be wiser, in these cases, to partially withdraw from commitments made at exceptionally high prices, awaiting a better time for investment in these issues, or, to make substitutions of the type of stocks contained in the accompanying table. Generally speaking, it is not advisable for the typical investor at this stage of the market to acquire stocks that have had prolonged and important advances, at which prices their yields are comparatively negligible. On the other hand, institutional buyers, now the principal source of buying in such issues, can afford to purchase these high-priced issues as their operations are conducted on a "dollar averaging" basis, a method in large part based on the assumption that temporary losses, even of substantial size, cannot be avoided and which, in fact, are welcomed by these institutions as a means of acquiring sound stocks at attractive levels.

4) Investors with Excessively Large Cash Reserves

This class of investor may be said to have more or less "missed the boat". Generally speaking, he is regretful that he was overly pessimistic in a rising market and would like to have another opportunity to acquire good stocks at reasonable levels. This, however, would be possible only in the event the market had a large-sized general reaction. Since these people have been waiting for such a reaction for several years — a reaction which has failed to materialize on a sufficient scope to the satisfaction of such individuals—they should be consistent and wait for this reaction, even if it takes a considerable period longer. In the meantime, there are available numerous attractive issues (see table) which, though they may not possess sensationally large market potentials, are nevertheless worth considering for partial investment at this time. Funds could be used in such a way as to make an initial investment and to average down in the event a market reaction of scope should develop.

The investor who has maintained an excessively large cash position for too long should realize that this is mistaken policy and should not hesitate to rectify this error. After all, the purpose of savings is to put it to work on a reasonably regular basis and not to hoard. —END

New Economic Troubles in Western Europe

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American concern has been expressed over the weakness of the London Stock Exchange and of Continental bourses. The decline of share values has been pointed to as an indication of lack of confidence in basic values on the part of the trading public. It has been suggested that this market weakness expresses apprehension of economic collapse.

That is a thesis difficult to support. Paradoxically, it could be argued that this weakness actually is a sign of strength. Assuredly, stock market history teaches that a more likely sign of imminent collapse is a booming stock market. Prices outrun their real values and the community, sooner or later sensing this, stampedes back to a normal level and plunges as far or farther in the opposite direction! The fact seems to be that real values are higher than stock market prices—surely an indication of solidity!

Because over the war and post-war years, controls of all sorts were in operation both here and in Western Europe, the bank rate has been wellnigh forgotten as a governor. But now that so many controls have been cast aside on both sides of the Atlantic bank rate has come back to its own.

Western Europe has had experience of the regulatory operation of the bank rate nearly two centuries longer than the United States. No one is more skilled in the use of the bank rate, freed of Government controls and operating in a free market. British practical economists, that is, the businessmen and bankers in charge of day to day operations, have been fully aware of the effects of the European boom with its inflationary and concommitant dangers and the Bank of England discount rate has been operating as it was intended to. The rate has been used to prevent share prices from increasing beyond their intrinsic values. In this country, the Federal Reserve has stepped in and used the bank rate to check what many people had begun to fear was an unsound stock market.

Now here is a factor in the present situation of immense importance. Back in 1953, for example, the Federal Reserve was reluctant to use the rate to discourage trading because of fear of the effect in Western Europe. It was felt that Europe had not yet recovered far enough to withstand the slightest discouraging gesture. The circumstance that the Federal Reserve now feels free to approve successive increases in the bank rate as well as augment the margins is a sure sign that it is realized that the European boom has a solid foundation, at least at present, and need not fear influences from this side of the Atlantic.

As illustrative of the sensitivity of the London Stock Exchange to the bank rate, for a number of days before September 1, there were many rumors that on that date, the Bank of England would lift the rate again. Further, there were forecasts that the Chancellor of the Exchequer soon would announce fresh measures designed to tighten credit as a brake upon consumer spending. As it happened, September 1 passed with no change in the rate but the mere fact of rumors reveals how responsive the market is and marks the actuality of a return to a truly free market.

Boom in West Germany

Spectacular as the Western European boom is, there are limits inherent in the situation. Also there are almost wholly new situations. The case of West Germany is unprecedented for modern times, in some respects unique for any times. It seems difficult to realize that the new Germany; that is, the Germany of the Bonn Government, began its new life *without any debt*. There are various schools of thought concerning the effects of a national debt on the economy of a nation. Here, indeed, is a case for study, unprecedented in modern civilization. Certainly, so far, freedom from debt seems to have been an advantage. Although practically all its productive machinery, its tools, had been destroyed or taken away, Germany's post-war productivity and ability to sell have been so great that all other nations of Europe are in her debt. Some time ago her favorable trade balance passed the billion *dollar* (not mark) milestone.

There are various differences as between European and American conditions. For example, Western Europe does not have the same consumer credit that exists in the United States. While installment plan selling is practiced in the United Kingdom (called there the hire-purchase system) it has reached nothing like the proportions regarded as normal here. On the Continent, installment selling is all but unknown. Either because the seller does not trust the buyer or because the potential purchaser has a deep-seated aversion to debt, the overwhelming volume of consumer business is on a cash basis.

In England, there is unquestionably a growing effort to extend installment selling. An important view expressed there, one wholly applicable here, is that installment selling should be expanded. One important industrialist, J. Gibson Jarvie, Chairman of the United Dominions Trust whose interests are widely ramified, recently said: "Hire-purchase made mass production possible and so gave us lower prices. It created wide markets for products which otherwise would have found only a limited demand at high prices. It turned luxuries into common possessions. It enormously increased employment and wages. Any nation that refuses the services that hire-purchase alone can render will have a lower standard of living and will be unable to compete with its more intelligent rivals."

Economic assistance to Western Europe has practically come to an end and it has been suggested that this cessation will result in a sudden collapse. It might have two or three years ago but there are few indications of such a result now. The new-born industrial machine is too well started to be stopped by such a single development. Further, it must be borne in mind that American expenditures in Europe for maintenance of our armed forces will be continued indefinitely although at a somewhat reduced level. Purchase of goods by the United States will continue for some time to provide a substantial business.

However, it is well to note that all over the Continent, as well as in England, Governments have been employing repressive measures to stem inflationary tendencies. Bank rates have been brought into their traditional operation and will continue to be. —END

Both Democratic—Republican Politics Prevent Farm Surplus Solution

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communists. For, although government officials never like to admit failure, it is no secret in Washington that the agricultural situation is considered hopeless by numerous officials. Unless the communist countries are opened up as outlets, the only alternative is to impose such severe restrictions on farm production that farmers will not accept them. Then, there would be nothing left to do but dump our government owned surpluses on the world markets with disastrous effects on the world commodity price structure.

Price Outlook

Output of farm products this year promises to be at a new record high, despite acreage restrictions on several of the major crops and despite dry weather conditions this Summer that reduced the potential in the Middle West. Acreage eliminated from wheat and cotton was largely planted to feed grains. Farmers generally ignored the USDA request for reduced corn plantings. The soybean crop will be substantially larger than the record 1954 crop. The potato crop is up some 12 percent.

In August, before the movement of the big 1955 production to market had been felt very much, prices of farm products were 6½ percent under a year earlier, according to the Department of Agriculture. There appears to be little doubt that prices will sag further this Fall under the weight of the big crop movement. And, it is doubtful that, even after the peak of the marketing movement has passed, there is much hope of price stabilization for any extended period. The long declines in farm products prices, that already has depressed the average of values by some 26 percent since the all-time peak in early 1951, does not appear to have run its course yet.

Statistically, at least, farmers are caught in a squeeze between high costs of production and relatively low returns despite government support programs on a number of crops. And, there is no doubt that many farmers—particularly the smaller producers who have not been able to mechanize their production to anything like the same extent as the larger producers—are being hurt.

The "parity index", computed by the Department of Agriculture and officially considered as the measure of farmers' cost of production, has declined a little during the past few years but nowhere near so much as prices of farm products. In August, the parity index was 279 (average 1910-1914 equals 100) as against 281 a year earlier and the all-time high of 290 in May, 1952.

The larger operators, who produce the bulk of the nation's crops, appear to be doing reasonably well despite the steady declines in prices. Quite a number of them, it is reported, deliberately planted in excess of their acreage allotments on wheat and cotton this year and will pay fines—amounting to approximately half the market value—on the production from these excess acres.

The steady and persistent decline in farm products prices is serious—particularly for the smaller, high cost operators—but it is nowhere so serious as it appears to be on casual inspection. The majority of farmers are unhappy that prices are not as high as last year or two years ago, but very few of them are complaining for they still are making money even at present lower price schedules. And, on price-supported commodities, CCC loan values are far above the actual cost of production for most farmers.

Net farm income this year will be smaller than last year but not as much as the declines in unit prices. For, farmers have bigger crops to market. Present indications are that net farm income this year will be approximately $11.5 billion, comparing with $12.0 billion in 1954, $13.3 billion in 1953, and the all-time peak of $17 billion in 1947.

Unquestionably, this means a further contraction in what often is referred to as the "farm market" for goods. Those suppliers who rely primarily on farmers for customers will feel the contraction, but there are not many such suppliers today.

There is an important angle to the decline in farm income that frequently is ignored. As a result of the steady inclusion of smaller farms into large farms, which is necessary for profitable mechanized operations, there has been a tremendous shrinkage in the farm population. Hence, there are steadily fewer farmers to share in the total net farm income. In 1954, according to the Department of Agriculture, the total income per capita of the farm population was slightly larger than in 1953 despite the contraction in total farm income. Apparently, the same trend is continuing this year.

Farmers, crowded off their small land holdings by the encroachments of the Agricultural Revolution, have found employment in industry and commerce for the most part, and are contributing a larger share than previously to total extremely high level national income. —END.

New Dimensions in Distribution

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for cash, palm off their burdensome inventories on used-car dealers and other "unauthorized" outlets. Such transactions may mean a nominal profit or none at all for the authorized dealer. With automotive manufacturers in their maddest scramble for market leadership, dealers are forced to take cars if they want to keep their franchise.

The Cost-Cutter

Companies in other fields have been quicker to devise distribution policies aimed at lowering the cost of getting products to consumers. Thus, G. E. has shipped from its Louisville plant mixed carloads of its major appliances direct to dealers instead of to wholesalers. The G. E. policy entails a savings on freight charges from the distributor's warehouse to the store, eliminates warehousing costs and reduces handling charges. Authorities on marketing have calculated that the television set that costs $289 at the dealer's would cost but $186 if it could be bought at the factory and a refrigerator which left the factory with a $200 price tag would sell around $310 at the retail level. There are even cases of distribution costs exceeding manufacturing costs.

Scores of companies have tried

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New Dimensions in Distribution

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everything, from the rejuggling of warehouse sites to elimination of unproductive buyers. Their feeling is that it is necessary to survival. They have cut costs in their plants through installation of modern, efficient devices. Distribution is the one remaining spot where sizable savings may be realized.

Some companies have resorted to joint action in attempting to whip the problem. A hundred-odd grocery manufacturers in the Chicago area, including such big ones as Armour & Co., Beatrice Foods, Beech-Nut Packing and College Inn Food Products, have set up a shipping pool in an attempt to cut transportation costs, especially on less-than-carload shipments. Thus, a group of processors, with orders of less-than-carload or full truckload quantities from customers in the same area pool their orders and ship these wares in carload amounts. In that way they gain the advantage of lower freight rates which shippers get on full carloads.

Other companies have weeded out unproductive dealers. By having their salesmen concentrate on active accounts, instead of wasting time on occasional buyers, they actually have built their volume despite the shrinkage in total calls. G. E., as an example, has found this practice highly efficient, with the result that scores of its dealers have lost their franchise.

Two Different Approaches

The approach to distribution economies may be diametrically opposed, but the goal always is the same—getting more goods to more people at considerable savings. As an example, Birds Eye Division of General Foods has streamlined its warehouse system, eliminating scores of sites. The opposite approach was used by Hill Brothers Co., which packs the Dromedary line of food products. To save the cost of trucking its products from Brooklyn to the Southland, it set up a warehouse in Charlotte, N. C., to serve the region. General Foods and Hill both found their methods cut distribution costs and, of course, prices of their products.

Building plants near major markets is yet another, and extremely important, way that manufacturers are trimming distribution costs. California Packing Corp. will be able to realize substantial freight savings next year when its Eastern facilities turn out a variety of products. In addition, the company is considering moving in on customers abroad, probably Latin American and European. Westinghouse Electric Corp. is another example of the trend toward shifting manufacturing operations to cut freight charges and inventory imbalance. Sylvania Electric Corp., by setting up a California plant, has slashed transportation costs an average of $1,300 on a carload of 21-inch TV tubes. Previously, such tubes were shipped west from its Seneca Falls, N. Y., plant.

There are literally thousands of examples of this type. Incidentally, the Government long has looked with favor on this trend toward decentralization of plant in the Atomic Age, with its ever-present threat of a terrible blow from a foreign enemy.

The veritable tidal wave of goods that flows to the American people and customers overseas would not be possible without the unique system that has wed science to industry, for just about every new process and product which results in lower costs and higher living standards is the handiwork of the research laboratory. American industry has spent about $13 billion since the end of World War II for research. Out of the laboratory comes an almost steady stream of new products from established materials and new materials for the making of ever newer products. For instance, United States Steel Corp., to cite just one company in the steel industry, has developed about 300 new and different steels as a result of research projects within the last 15 years. Few, if any, of these developments gained attention of the general public, yet many of these new steels now are filling important roles in various industries and in the life of every man, woman and child. Such examples could be multiplied a thousand times.

From the labs have come the TV set, the electronic computer, the transistor, the engineered temperatures, faster-than-sound aircraft, the atomic energy complex, automation, the endless variety of synthetic fibers—to cite but a handful of the thousands of spectacular advances that have found their way into the channels of distribution. A measure of their contribution to the building of the high standard of life in America may be gleaned from the fact that G. E., which started out at the turn of the century with generators and light bulbs, has become a manufacturer of 200,000 products. The answer is to be found in the research lab.

Flattery Through Imitation

Europeans long have professed disdain for the American system of free-wheeling private enterprise, which is easier than admitting that our way has produced a superior standard of well-being for the common man. European business men prefer cooperation to competition, resulting in low production and high prices. Their workers, many of whom are radicals and Marxists, see no identity of interest with employers. The signal success, however, of American free enterprise, which was the decisive factor in the bloodiest war in history and the last refuge of free men in the Cold War waged by Communism, has opened the eyes of many Europeans. Their contempt for the American way of life, expressed in such terms as "uniformity" and "gigantism," has given way to fumbling attempts at imitation.

In the United Kingdom and on the Continent we are witnessing the emergence of American marketing systems, installment credit, a small measure of competition, less passionate attachment to handicraft and a new eagerness to learn from American methods of production and distribution. It could be the beginning of an industrial revolution in Europe, patterned largely after the free-enterprise system. Meanwhile, we must leave to her philosophers, saved from the scourge of Communism by the American productive and distributive facilities, the answer to the question of whether people pay too dearly in moral values for a high degree of material prosperity. Surely, it is a bargain, in the best tradition of competition, alongside the price that Communism would exact. —END

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